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THE OUTLOOK

Scarcity of Goods Still a Feature—Future of Commodity Prices—Financing Foreign Trade--Railroad Situation—Taxation of Stock Dividends—Labor—The Market Prospect

IN view of the great activity of industry throughout the country and the very active demand in the retail trade, the stock market quite naturally responds readily to any favorable news developments. The demands of consumers for goods are so keen that merchants have difficulty in getting the necessary supplies fast enough to fill their orders.

That this temporary scarcity is partly due to the relative inefficiency of labor and the restrictions enforced by trade unions is perfectly obvious to any one who is in touch with the business conditions of the day. But it is also true that the disorganizations resulting from the war are not yet entirely cleared up and that the incompleteness of the readjustment still hampers productions in many lines.

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Commodity Price Outlook

THE jump of 16 per cent. in average commodity prices—as measured by Bradstreet's Index—from March 1 to August 1 has had a strong influence in stimulating the activity of trade. Buyers had held off, hoping for lower prices, or waiting until conditions should become more settled. The rapid rise convinced most of them that it was useless to wait longer, as there was a good consumptive market in sight at the current level.

Almost everybody buys more on rising prices. It is a characteristic of human nature. And in this instance many consumers had been economizing during the war, so that their normal requirements were somewhat larger after the war was over. Retailers, also, had had difficulty in keeping their stocks up to normal because of Government requirements and the scarcity of peace goods resulting. The rise in prices came as a surprise to many of them and they had to replenish their stocks regardless of price. And for similar reasons many wholesalers were insufficiently stocked up and manufacturers were short of needed materials.

To a certain extent the demand for goods in recent months has exceeded normal and will therefore be temporary. It is likely that the demand in 1920 will be less urgent unless means are found to finance foreigners for large-scale purchases. For the remainder of 1919, however, it seems pretty clear that business will continue good.

The future course of prices is a very interesting question, in regard to which rather more than the usual disagreements of opinion exist. Professor Fisher, a profound student of the subject for many years, has recently stated in this magazine that in his opinion the present scale of prices will be comparatively permanent, chiefly because of the great increase in the supply of money and credit throughout the world.

There are, of course, many elements entering into price-making, but the supply of money and credit is certainly one of the most important and is of a more permanent character than most of the others. The gradual clearing up of the aftermath of the war will involve some reduction in paper money outstanding in Europe, and in this country the payment of bank loans which are based on Government collateral will doubtless have

the indirect effect of reducing Federal currency notes. The effect of such changes would be in the general direction of a lower price scale.

Our own view is that some gradual decline in the level of commodity prices is to be expected. But it is to be expected that prices will remain on a much higher level than before the war. Viewed broadly, the whole world has adjusted itself to a new and higher price level which, so far as can be seen now, is likely to be fairly permanent.

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Financing Foreign Trade

SO far there has been much smoke and little fire in the matter of selling foreign securities here to enable foreigners to pay for the goods they need so badly. The Edge bill, a practical way of handling the subject, is under discussion in the Senate and it is probable that it, or some similar plan, will be adopted.

Even if no constructive plan should be worked out by the United States Government, we believe that action will be taken by private banking interests. There is a good deal of satisfactory security in Europe on which bonds could be based. The chief objection lies in the fact that Europe has not yet resumed normal production; but in many cases the materials which might be furnished by this country are essential to such production. It will be for the interest of all concerned for us to grant some sort of credits first, and thus to aid Europe in resuming production, rather than to wait until Europe can recuperate unaided, which would take a long time.

Many of our leading bankers have recently visited Europe, presumably to work out some plan of this sort. How much capital American investors would be willing to furnish—in other words, what amount of foreign securities they would buy—cannot be told in advance. It would certainly be less than Europe could use. In fact, there is almost no limit to the amount of capital which could now be used, either at home or abroad. But we believe Americans would buy foreign securities, if adequately protected and offered under responsible auspices, in a sufficient quantity to afford substantial help to our export trade. A high rate of interest return would be necessary, but Europe could well afford to pay a high rate as compared with the slow process of accumulation under present difficult conditions abroad.

We are inclined to expect important developments along this line in coming months, which should be of considerable help to our stock market. On the other hand, the sale here of European securities would absorb capital which might otherwise flow into our domestic bonds, and would thus retard the rise of our home bond issues—a rise which must come some time nevertheless.

The fall in foreign exchange, which has now assumed such serious dimensions, would be checked by any considerable sales of foreign securities here, though not restored to normal equality. The return of exchange rates to normal seems likely to be a matter of years rather than months.

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Railroad Situation

THE prospect for railroad legislation seems to be nearly as chaotic as ever. The "Plumb Plan" has not been endorsed by the American Federation of Labor, although Gompers is understood to favor the general purposes embraced by it. In other quarters the plan has gained but little support and it is believed to be practically dead.

In the meantime the Cummins Bill has been brought forward, but this will be extensively revised by the Senate Interstate Commerce Committee, so that its final form is still problematical. It is generally looked upon as a temporary arrangement only, and the opinion is gaining ground in Washington that it will be impossible to arrive at a final settlement of the railroad problem until industrial conditions become more settled and the disturbing effects of the war have more fully worn off.

Railroad stocks have rallied somewhat with the rest of the market, but generally speaking they are still unattractive to investors. The unsettled railroad situation has prevented Southern Pacific from responding fully to the improvement in its position as a result of the favorable court decision in the oil lands case. On the other hand, the

owners of good railroad securities show no disposition to sacrifice them. Our railroad problem will eventually be solved because it must be solved.

In several cases definite steps have been taken to ascertain the amount of oil on railroad properties and this may develop into an important factor later on. Union Pacific, Northern Pacific, St. Paul, Atchison, and Wheeling & Lake Erie are some of the companies having oil possibilities.

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Taxation of Stock Dividends

ONE important element of strength in such issues as Crucible Steel, Baldwin Locomotive and U. S. Rubber is the widespread belief that stock dividends will be declared non-taxable under the income tax law. This conclusion is so clear to the common sense of the average investor that he can hardly imagine how the courts can view it otherwise.

A corporation is no richer because it has more stock outstanding. An investor who owns, let us say, one per cent. of the stocks of any company, still owns only one per cent. after the company has declared a 100 per cent. stock dividend. His fraction of ownership is represented by more pieces of paper, but the fraction remains the same. If he later receives larger cash dividends from this new stock, his income has been increased—but not until then. And how the Treasury Department managed to torture a stock dividend into a pseudo-income has remained a mystery to investors.

A decision that stock dividends are not taxable income would be of decided help to many industrial stocks, as it would enable the companies to distribute to their stockholders some part of their accumulated assets in the form of additional capitalization, from which a larger income might later be derived.

* * *

Labor Situation Somewhat Better

AT the moment, a more conservative attitude prevails on the part of labor, as a result of the President's common sense reply to the demands of the railroad shopmen and of Gompers' efforts to avoid a steel strike. But the job printers are demanding higher wages October 1 and the coal miners November 1, and a great deal of labor unsettlement must still be expected.

In the steel trade the labor organizations are especially weak. In the main the steel employees are well satisfied with the treatment they have received and it is very doubtful whether a strike in that trade, even if called, would be successful.

The demand for steel and iron products continues good except in the railroad department, where means to buy are lacking. The price of copper is slightly easier. Producers are asking 23½ cents, but outsiders are quoting about one cent less. Minor metals are generally firm.

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The Market Prospect

HIGHER prices are probable for many industrial stocks and should be accompanied by some improvement in the rails. The world-wide shortage of goods and inflation of currency and credit tend strongly toward good profits for industrial companies and relatively high prices for their stocks.

The public has plenty of money and is ready to participate in an advancing market. The technical condition of the market is considerably better as a result of the August reaction. Higher money rates are probable this fall, but we do not expect any such rise in rates at present as would seriously interfere with market operations.

An important conference at Washington is scheduled for Oct. 6, at which leading railroad, industrial and labor leaders will discuss the economic outlook and the policies which should be pursued. It is not impossible that the market may be favorably influenced by this effort at mutual understanding and co-operation.

Tuesday, September 9, 1919.

Rubber—The One Normal Commodity

Why Rubber Prices Have Not Advanced — Strides Made in Manufacturing—Outlook for the American Industry

By HENRY C. PEARSON

Editor of *The India Rubber World;* Government Representative in War-Time Rubber Investigation.

FOR reasons good and sufficient, all important commodities, with the single exception of india rubber, have doubled, trebled or quadrupled in price in the last four years. Why the apparent indifference of the great gum elastic industry to the high cost germ? It is thus explained:

The real beginning of crude rubber expansion was in 1876, when the British Government succeeded in establishing a small orchard of Para rubber trees at Heneratgoda Gardens, Ceylon. This was followed by the discovery of "wound response." In plain words this means that the Para tree, the *Hevea,* can be milked daily, while other rubber trees and vines must rest after milking for months and even years.

With cheap and docile coolie labor it was soon found that plantation rubber could be produced cheaper and of as good quality as wild rubber. And numerous plantations in Ceylon, the Straits, Settlements, Federated Malay States, Java and Sumatra were established. Just as the best of these came into bearing the automobile began its spectacular career. The damand for rubber became so great that from a normal price of $1.25 a pound it sold as high as $3.00 a pound. The dividends thus earned by the plantation companies, two and three hundred per cent, set English and to a lesser degree Dutch and Belgian investors aflame, and the "Rubber Craze" ensued.

New companies were formed by the hundred and the jungle cleared and planted in record time. So great was the expansion that the 100,000 acres in existence in 1905 had expanded to nearly 2,000,000 acres at the outbreak of the Great War. And the world's annual production in that period grew from 62,000 tons to 120,000 tons. Nor did the plantations stop at that figure. In spite of the war the product for 1917 was 256,976 tons, or more than double in two years and increasing at about 50,000 tons a year. Thus it is apparent that there is plenty of rubber.

Henry C. Pearson

Pre-War Conditions

At the beginning of the war Plantation rubber was low. The $1.25 rubber had given place to a 65 to 70-cent level, and it was to sink even lower. In spite of sporadic upward flurries it worked downward until 40 cents became the purchasing price. As the cost to the planter varies from 17 to 24 cents there was still a fair margin of profit, and the planters continued to sell. This in spite of frantic efforts on the part of planters' associations and hungry stockholders to restrict output, to valorize, to do anything to enhance the price.

Keeping pace with this increase in the output of crude rubber was the spectacular demand for pneumatic tires and tubes, for solid truck tires and an increased demand for all kinds of rubber goods.

In the light of such a market almost any merchants other than the far-sighted English would have held the customer up for higher prices. To be sure the big users were already possessed of big stocks, forward sales had been negotiated and there

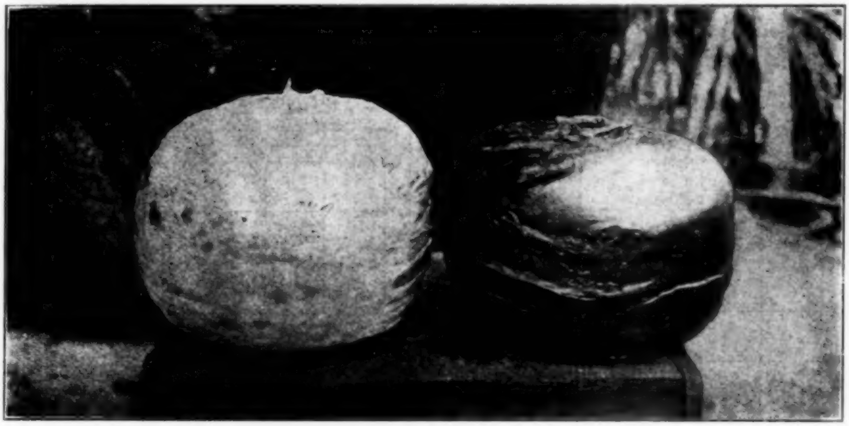
were vast supplies of reclaimed rubber available.

It was plainly seen that it was the part of wisdom to make it to America's advantage to buy in the Far East. For should that supply for any reason be withheld or fail a very few years would suffice to install great plantations perhaps in Mindanao, P. I., where soil and climate are ideal, and plenty of seed available. Or the great American Castilloa plantations in Mexico, which were about to be replanted with Para trees in the time of Diaz, might be suddenly available were present conditions reversed. If not there, perhaps in Guatemala, Honduras, Panama, Columbia, Venezuela or Brazil. With proper governmental guarantees from the countries named and a reasonable amount of sympathetic support from one's own government great planting projects could easily be installed. Indeed, they doubtless would be if the necessity arose.

Then there is the purely domestic experiment of "machine grown" rubber, right within our own borders and eventually taking its place with such enterprises as the cultivation of the sugar beet.

Then there are the extensive fonts of the Amazon and her mighty tributaries with a wealth of rubber trees, only the fringe of which has been touched. In the event of shortage the volume of rubber from Brazil, Northern and Southern, and from Bolivia and Peru would be increased enormously, and Africa, once the great rival of South America, would again figure as a big rubber producer. Furthermore, several of the great American companies have installed huge Para rubber plantations of their own in the Far East. The constantly increasing product of three orchards, one of which is the largest in the world, and said to be the most economically administered, had a wonderfully steadying effect upon the market and was assailed by jingo papers as the "American invasion." Thus it was that the planters continued to produce and to sell, and in spite of lessened cargo space and the thousand and one handicaps of a great war the price of rubber continued low.

In the meantime the American rubber business grew and grew and at the time of the signing of the Armistice we were using three times as much rubber as when the war began.



Crude Rubber Biscuits

Prices Decline

With such a market for manufactured goods, even if the basic material be low, prices might well be high. But they became lower and lower during the first years of the war and with only two exceptions are still far lower than those of the other commodities.

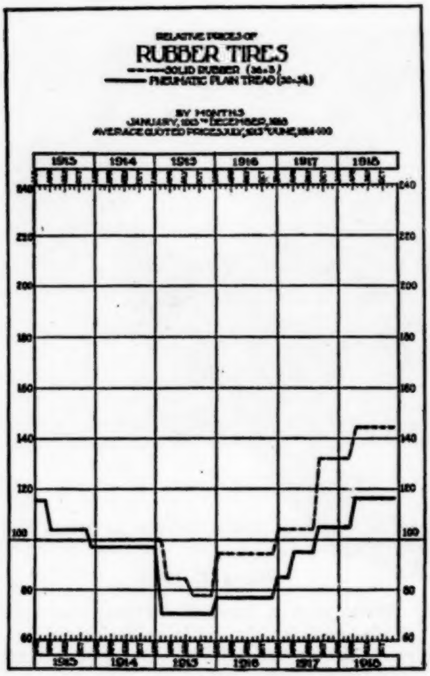
One has only to study the accompanying Lubin graphs to see how remarkably low have been manufactured rubber goods.

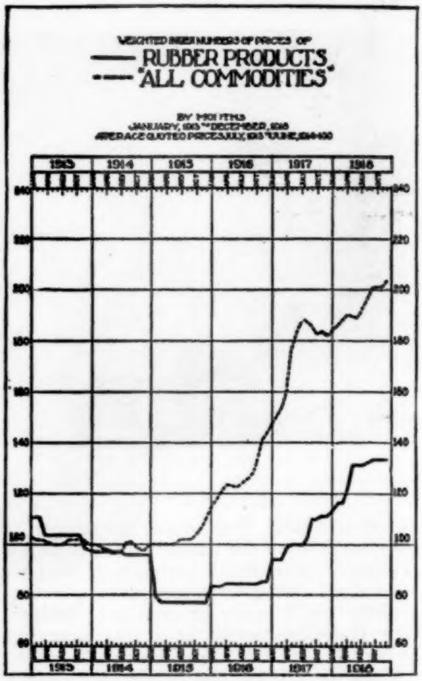
Low priced crude rubber does not necessarily mean low priced rubber goods. The reason is rubber goods are built up of rubber, fabrics, compounding ingredients and labor. The rubber has been cheap but everything else entering into the finished product has shared in the great advance in price.

There are some 250 separate ingredients

as solvents, fillers, vulcanizing ingredients, etc., regularly used by rubber manufacturers in rubber mixing processes. The prices of some went so high as to be prohibitive. Others disappeared from the market. All increased appreciably in price. A good instance is naphtha, which went from 13 cents to 24 cents and did not recede. The same was true of the 50 or more types of fabrics upon which the trade was dependent. As for tools, medicines, building material, labor, all took part in the advance.

To offset this which for the moment looked like calamity there took place a rapid revolution of methods of manufacture that is one of the most remarkable incidents of a remarkable industry.





Production Speeded Up

The scarcity of skilled labor caused by the draft resulted in the invention of hundreds of machines that turned hand-made goods into machine-made and if anything bettered the product. Old machines were scrapped and everything that the best mechanical engineers could offer to speed up production was promptly adopted. Team work of man and machine was applied in all lines of manufacture.

The chemist was called upon to add his assistance. An elastic organic substance, rubber-like to a degree, of low cost, made from waste material, was so treated that it could be incorporated in the best rubber and actually added to its value. This in itself saved thousands of pounds of rubber. The time consumed in vulcanization was lessened by half by the use of catalyzers, that is by accelerators, or hasteners, so that there was a notable saving in steam and labor and an increase in production.

Speaking of time conserved in vulcanization: For years the great rubber shoe industry was handicapped by the so-called dry-heat cure requiring seven hours of slow baking. A revolution in this was wrought by the pressure cure, taking but a third of the time and incidentally allowing the use of a far wider range of compounds and producing a better product at a lower cost.

The great changes, mechanical and chemical, while apparently centering about the tire and footwear business, actually occurred in a notable degree in all lines of hard and soft rubber manufacture.

Working together the members of trade assured their supply of crude rubber from England by pledging themselves to purchase only for their own consumption.

When war needs practically cut off their supply of zinc oxide, the notable tire toughener, they promptly substituted a toughening black that was useless in munition work. When cotton promised to be scarce certain of the big manufacturers planted thousands of acres of cotton and built gins by the score.

The labor situation in rubber, considering the general unrest, was handled with wisdom. Strikes were few and of brief duration. Manufacturers kept ahead of the H. C. of L., as far as their help was concerned, by successive increases of wages; by instituting factory stores, markets and war gardens and by providing housing facilities on a scale never before dreamed of. By piece work, bonuses, profit-sharing, premiums, pensions, insurance and hospitals, they made work profitable and the worker secure. Reading and recreation clubs were provided and a degree of friendliness and co-operation between employer and employe was the very definite and satisfactory result.

All of these efforts helped to keep the price of rubber goods down. In 1914, 1915 and 1916 rubber goods were on the average much lower than they were in 1913. In 1917 the constantly increasing cost of all materials except crude rubber brought prices up to the pre-war level. Since then there have been advances aggregating about one-third of the rise shown in "all other products." With it all the trade has prospered as never before and with no profiteering accusations made against it.

The Outlook

As to the future there seems to be no need for uneasiness. The American industry, besides being the biggest in the world's rubber business, is by far the best equipped mechanically, chemically and in personnel.

Native preparing the crude rubber biscuits by treating the sap from the rubber tree

It is of course dependent upon England and to a degree upon Holland for its raw product. England, however, never plays fast and loose with good customers, nor does Holland. Besides which we have cotton, a raw material that England needs as much as we need rubber. But beyond this is the ability of the industry to adapt itself to shortages without stopping and to provide for itself anything, anywhere, anytime.

Assuming the Risk Involved

Ninth Article in the Series "Financial Independence at 50"—The Meaning of "Risk Involved"—When and Where Chances May Properly Be Taken—The Group Investment Plan and the Law of Averages

By VICTOR DE VILLIERS

THE phrase that warns the would-be investor when he inquires about a standard security that he may be taking a risk and must be prepared to assume it is often regarded as a mysterious hint that the security concerned has something fundamentally wrong about it, when nothing of the kind was intended. Even if the investor is prepared to act upon the principle, "nothing ventured nothing gained," and is willing to send a ship out to sea for the sake of seeing one come in, the implication of "risk" is like dragging a red herring across an otherwise clear investment path. The effect lingers, even though no positive harm is done.

The element of risk enters so largely into most commitments, even those made purely from the investment angle, that it is well worth considering what it means, how it affects the welfare of the aspirant toward independence, and how its evil influence may be turned even to advantage.

Sterilized Investments and Others

So far in this series the writer has planned to lay a broad foundation for the reader's future comfort by emphasizing the extreme importance of "digging in" as early in life as possible. Common sense dictates that where the two alternatives of absolute safety or partial safety are offered no hesitation need be felt in choosing the former. A Gibraltar could not exist on a rock that is soft in spots, and the strongest chain is no stouter than its faulty links. The investor who builds for the future is not justified in taking a single chance by using substitute materials for his foundations—even in spots—hence only double riveted, germ-proof, and "sterilized" investments that are proof against storms, rot, and decay can be recommended for the earlier efforts of the embryo independent.

Preparedness is about as important as achievement, and the greatest opportunities that occur in an investment lifetime cannot be grasped unless the means are at hand in a *ready, liquid form, available almost on the instant.* Conservative investments of the type recommended in preceding articles may be regarded not only as current bread-winners, but as potential fortune-builders if opportunities, such as will be described, come along again—*as they surely will.*

If the reader will study the two graphs herewith showing the market action of twenty leading rail and industrial issues since 1897 it will be noticed that the best and worst of securities move over an erratic course, always up and down, and in the case of the industrials during the past twenty years slowly but surely pointing upward, as befits the march of events in the United States.

The rails have gone through a long period of deflation since 1909, the aftermath of earlier "irregularities," and are still breathing heavily after ten years of fever, but their present lowly estate is not conclusive evidence that they are dead.

The writer has marked with a cross the turning point of each market cycle from which the securities concerned have turned substantially upward. In the case of the railroads, at this writing neither the writer nor anyone else knows whether their main trend will be upward or downward in the near future, but it is sufficient to know that their level is substantially below their 1909, 1912 and 1916 averages and they have hit the panic-zone. At that point, having received a black-eye investment-wise, they deserve a "mark," which the writer has accorded them.

All purchases made at or about the low points indicated were *risky* because the securities may have gone still lower, and anyone who bought these *assumed the risk involved.* As it happened, each panic, big or little, was an *opportunity* for someone, *and the people who grasped these opportunities were those who had the means, in ready money or "sterilized" investments.*

Buy on Gloom—Sell on Glory

The markets for nearly twenty-three years, which about corresponds with an active investment lifetime, have been charted in the graph to demonstrate that buying opportunities occur many times. In the period under review it is patent that

PRICE ZONES*—REPRESENTATIVE SECURITIES

	Dividends, $	Dividend Maintained, years	5-Year High	5-Year Low	Mean Ave. 5 Yrs. Low
RAILS:					
Atchison	6	10	108	75	85
Union Pacific	10	13	164	101	115
Northern Pacific	7	13	118	75	85
Southern Pacific	6	12	115	76	85
Pennsylvania	3	21	61	40	45
New York Central	5	20	114	62	70
GAS, TELEPHONE, TELEGRAPH:					
Consolidated Gas	7	4	150	76	85
Peoples Gas	..	..	125	55	45
American Telephone	8	12	134	90	95
Western Union	7	1	105	53	70
MOTORS AND RUBBER:					
Willys-Overland	1	5	40	15	25
Studebaker	4	4	195	34	75
U. S. Rubber	8	..	138	44	60
CHAIN STORES, ETC.:					
Woolworth	8	3	151	81	100
United Cigar Stores	9	3	219	76	90
CHEMICAL AND ELECTRIC:					
Virginia-Car. Chemical	4	2	92	15	50
Am. Agricultural Chemical	8	2	114	72	85
General Electric	8	17	187	118	160
Westinghouse	4	4	75	32	45
SHIPPING:					
Atlantic, Gulf & W. I.	10	2	188	27	80
United Fruit	8	11	196	105	150
Internl.-Mer.-Marine Pfd.	6	2	128	3	85
TOBACCO AND SUGAR:					
American Tobacco	20	7	255	123	175
Am. Sugar Refg.	7	29	142	90	110
Am. Beet Sugar	8	2	108	19	60
STEELS:					
U. S. Steel	5	8	136	38	80
Republic	6	2	103	16	60
Lackawanna	6	3	107	26	65
Bethlehem	5	3	107	55	60
EQUIPMENTS:					
American Locomotive	5	2	100	46	65
Baldwin	..	..	132	26	65
Am. Car & Foundry	12	1	138	36	75
Pullman	8	28	177	100	125
OILS:					
Texas Company	10	5	292	112	150
Mexican Petroleum	10	..	205	67	90
Standard of New Jersey	20	20	800	355	550
MINING AND METALS:					
Am. Smelting	4	13	124	50	70
Anaconda	4	4	105	24	60
Utah	6	3	130	48	65
MISCELLANEOUS:					
National Biscuit	7	8	161	80	100
Am. Woolen	5	3	137	12	55
Am. Can	..	..	68	19	40
Corn Products Ref.	..	..	95	13	35
National Enam. & Stamping	6	3	88	24	50
National Lead	5	2	87	38	60

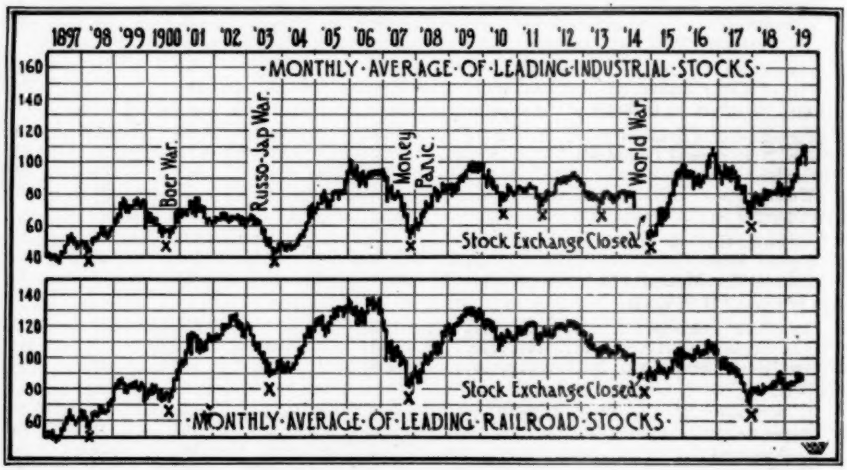
*Fractions too uncertain to be included.

there were eight major opportunities in the industrials and six in the rails, and ignoring all the minor dips, twists and dives that stocks experience without any particular reason, the writer assures the reader that fourteen big opportunities are about enough in one investment lifetime to assure independence. If history is to repeat itself, as market history is always scheduled to do in its broader aspect, there will be at least fourteen more opportunities in your lifetime to buy good investment securities on gloom, if you will assume the "risk" involved, and to sell them on glory when the only uncertainty is "How much higher will they go?"

The chances have been evenly divided in the past, and the only thing one can be sure of is that changing times are ahead, and that each change will bring its own opportunities.

Group Investments

Like the broad course of the market as a whole, individual securities have their own characteristics, and move in all directions, sometimes without regard for worth and with indifference to their earning power or future. Each makes its own ripple in the big sea of prices, and each ripple does not necessarily depend upon sunshine or storm above. On those rare occasions when standard dividend-paying issues act foolishly, as they have done at least forty times during the fourteen periods of major opportunity indicated—some of them should be accumulated in spite of the fact that they are not commonly regarded as "gilt-edge." Select issues should be accumulated if they are selling at a reasonable price as compared with former *low levels,* if their dividend does not seem in danger, and if their earning power does not appear to be *permanently downward.*



Hence, the all-important qualification that it is necessary to be conservative in the early stages to hold strongly fortified bonds and stocks of a gilt-edge or near gilt-edge character, preferably those that have good *salability, loan and collateral value* when periods of the deepest gloom come along. Fourteen big breaks, in most cases panics and semi-panics, is exactly that number of heavy shocks that the American investment structure has had to stand in twenty-three years, and it is as well to ask yourself, "How many shocks can my investment edifice stand at present, or in the next five or ten years?"

The number of opportunities is not limited to fourteen nor even forty, as no man can predict with any degree of accuracy the world conditions that will prevail during the next twenty years, nor the amount of good and bad "news" that will influence prices. The chances have

During periods of acute depression the investor who is willing to put his ship out to sea will be inclined to await "better conditions." If the depression is exceptionally bad, especially the kind that follows a period of rising prices and prolonged excitement in the market, "talk" will be far cheaper than money; that relating to dividend reductions and receiverships will be especially insidious and will bear careful checking up with the *facts.* Earning power and dividend

record should not then be scrutinized for a year or two years, but for at least five or ten, and the management of the company concerned should be looked into carefully. Confirmation of rumors should be sought first-hand, if possible, and not through the medium of "news" or "talk." If the investor's checking up on these facts does not tally with the pessimism on every hand, and he is satisfied that the coveted security is selling at a reasonable level but might go still lower—he should "assume the risk involved" and *buy*.

The table covers many groups of securities, and some of the leading representatives in their class. The omission of a large number is not due to lack of merit, but to the absence of a dividend, insufficient seasoning, volative market movements or some other cause, which takes them out of the representative class.

The most careful calculation and caution can prove untimely and sometimes unfortunate, for which reason the group-plan of diversifying all surplus funds intended for that class is strongly recommended. Although Andrew Carnegie amassed riches by placing all his eggs in one basket and watching that basket, the late lamented financier was a Scotchman and died "poor," anyway. The average investor is not endowed with the steadfastness and consistency of a Carnegie, and will probably do better to rely upon the law of averages as relating to securities and the industries they represent by using a large number of small baskets that will not need so much watching.

Methods for Business Men

It is realized that the average business man may have no time to make a study of conditions, either in advance or at the psychological moment when he must decide; also neither himself nor one in a thousand can judge whether the low price has been reached even approximately. Instances of mistaken judgment, faith or ignorance are found in the purchases of such chronic failures as New Haven, Rock Island, St. Paul or People's Gas "on a scale down" in mistaken attempts to strike bottom. Boats that leak continually are not safe even for the short trip, and should be *non grata* where more seaworthy ones are available. Any business man can, however, decide accurately with the use of the graphs that a zone of low prices has been reached that justifies some action, and at that point action should be taken regardless of minor fluctuations within a few points of the purchase price.

It is time enough to worry when a further *substantial* drop occurs—say 5, 10 or even 15 points—and the investor's unlucky security refuses to rally *with the rest of its brethren*. An investor need not haunt the ticker nor concern himself with the minor swings to be out of the "sleeping investor" class; but he had better be an "interested investor," alive to his problems and broad-minded enough to realize that securities cannot stand still so long as millions of minds cannot think alike.

Apply the principle to any standard issue, such as Atchison. This road got into the investment class about twenty years ago. During the five years between 1895 and 1901 its future was uncertain and it sold between 8 and 9, its action labeling it a "cat-and-dog" security. Between 1901 and 1905 it paid irregular dividends and sold up around 100 several times, and during 1906 seems to have turned the corner and to have entered the investment class, with a dividend of four to five per cent a certainty for the future. In the year 1907, upon a dividend basis of six per cent. Atchison reached 108¼ and then—something happened. The famous money panic came along in the fall and Atchison dropped to a low of 66⅜, and it needed no very expert judgment to convince anyone that a security that had established its right to sell between 90 and 110 during the preceding six years was good enough to buy between 60 and 70, despite the possibility that it might go down to 50. Of course, Atchison did nothing of the kind. It drew up in the following year to the place it belonged, above par, and in another year emphasized its place in the sun by selling to an absolute high of 125⅜. For ten years thereafter it maintained its six per cent dividend—a dividend that was thought a lost hope during the excitement of the panic—and sold above par each year with the single exception of 1918, when it fell short of 100 by a quarter point! Its low price during the past ten years was 75 in 1917, and the writer believes that if it should sell there or somewhere above at any time in the next ten years, the reader will stand to gain something by refreshing his memory on the subject of Atchison.

One could go through the list almost indefinitely without doing it justice. The case of Atchison could be applied to Pennsylvania, Reading or Northern Pacific with equal emphasis. Among the industrials, the vicissitudes of American Smelting, U. S. Steel, Republic Steel, Consolidated Gas, American Telephone or Anaconda would furnish similar object lessons.

The Financial Management of Your Business

Article No. 5—How to Financially Expand or Contract an Old Business or Start a New One—Planning Your Business Future

By PARK MATHEWSON

Author of "Selling Your Credit," etc.

PRESENT day conditions demand practical, safe and rapid methods of adjusting business to supply, demand and finances. It will play the managers of a business, as well as the investors therein, to watch these conditions very closely, to be sure that they have all the necessary data to be able to act promptly in any emergency during these rapidly changing conditions of business to-day.

It is equally important to cut down or expand, to build a new plant or scrap an old one, in an economic as well as an economical manner.

The present transition period of many businesses has started, in American industry, some intensive analysis and figuring as to the best ways and means to accomplish quick and practical results. Let us examine some of the fundamentals needful to be taken into consideration in deciding upon and putting into effect the necessary changes. The data to be examined differs little, whether expansion or contraction is contemplated, only the application of results must necessarily be reversed. To speed up or slow down we should know all the elements of production, marketing, administration and finance, which will be affected thereby.

How to Analyze the "Moves"

We must examine and decide and chart these separately, although their consideration as a co-ordinated whole is, without question, much more effective; and, to accomplish this collective planning, no principle is as satisfactory or practical as the budget methods and forms, which, without doubt, should be employed in this matter as far as practicable.

Whether the plan is to expand the business or contract it, we must, as stated, get the fundamental data to base our figures and conclusions upon, covering the following operating divisions.

In the marketing division, we should, of course, first figure on the estimated amount of sales that it is planned to consumate during the coming year or period, for, as usual, the whole business practically rests on the amount of goods that can be placed—always considering that this figure is carefully reckoned in connection with the other divisions, in relation to their ability to handle such expected sales. Therefore, not only the amount of sales, but the sales in the various divisions, or of the various classes of goods, must be carefully estimated and charted, so that other divisions will know what they will have to produce or what income the manufacturing business will produce to cover the general needs.

The next consideration in the marketing division is the method of publicity or advertising in conjunction with the sales forces and sales plans necessary to market the amount of goods decided upon as the sales quota for the period. It is obvious that if the sales are to be reduced, these other factors should be considered and reduced proportionately. The reverse is the case where expansion is contemplated.

Next we must consider the production department and, according to the amount of goods to be produced to furnish the sales department with the quota decided upon, it must be decided what changes are necessary therein.

It is clear that if an increase is to be arranged in the production, it will be necessary to estimate or budget the proper changes to produce the desired change in production. For this it will not only be necessary to know the amount of factory space, machinery, etc., that will be used, but to figure out the amount of labor, materials, and other elements which changes from the past plans will affect.

It is equally true that in the administrative department (although it is not so vitally important as in the sales and production departments) changes must be made in a relative manner to administer the business on the new scale. Beside the office end of the administrative, the treasury, or finance end must be judiciously considered, not only in the office detail, but in the enlargement or contraction of the financial arrangements.

This change in finances is usually of exceptional importance to a company, and needs to be co-ordinated from the estimates

TYPICAL FINANCE BUDGET FOR BUSINESS EXPANSION

Covering building and equipping of a new plant to cost $615,120, as well as running for last six months of year, of a business of a budgeted volume of $400,000. All figures are those estimated or proposed for the various items. This budget shows the important cash facts of the business, how and when the cash is expected to be received and how and when disbursed. If actual balance shows in "Surplus Receipts" column it should be on hand to pay out; if in "Surplus Disbursements" column it must be borrowed or obtained in some other way to cover shortage of cash for that month.

CASH INCOME

Months	Billings (when due)	Loans from Banks (and others)	Sales of Securities	Other Sources	Cash Loan Parent Company	Mortgages and Building Loans	Bonus from Town for Location	Total Receipts	Surplus of Tot'l Rec'pts over Disbursements
January	......	......	$100,000	......	$10,000	......	$10,000	$120,000	$79,000
February	......	......	100,000	$5,000	10,000	$50,000	......	165,000	196,000
March	......	$18,000	50,000	......	10,000	50,000	......	118,000	272,000
April	......	......	......	......	10,000	50,000	......	60,000	269,000
May	......	5,000	......	......	10,000	50,000	......	65,000	220,000
June	......	17,000	......	3,000	10,000	50,000	......	80,000	220,000
July	$41,500	......	......	......	10,000	50,000	......	101,500	242,249
August	44,260	......	......	......	10,000	......	......	54,260	153,169
September	50,500	12,000	......	......	10,000	......	......	172,500	138,164
October	54,700	......	......	2,000	10,000	......	......	66,700	121,554
November	49,100	28,000	......	......	......	......	......	77,100	129,174
December	50,300	......	......	......	......	......	......	50,300	146,152
Totals	$290,360	$80,000	$250,000	$10,000	$100,000	$300,000	$10,000	$1,040,360	......

CASH OUTGO

Months	Production	Marketing	Administration	Loans Payable	Interest and Discount	Other Expenses	Buildings, Machinery, Etc.	Total Disbursements	Surplus of Total Disbursements over Receipts
January	......	......	......	......	......	$6,000	$35,000	$41,000	......
February	......	......	......	......	......	8,000	40,000	48,000	......
March	......	......	......	......	......	7,000	45,000	52,000	......
April	......	......	......	......	......	13,000	50,000	63,000	......
May	......	......	......	......	......	59,000	55,000	114,000	......
June	......	......	......	......	......	20,000	60,000	80,000	......
July	$27,840	$13,225	$7,370	$5,000	$816	......	25,000	79,231	......
August	27,840	24,660	7,950	17,000	890	......	65,000	43,340	......
September	27,840	25,500	8,240	......	925	......	25,000	87,505	......
October	27,840	31,200	8,350	......	800	......	15,120	83,310	......
November	27,840	32,500	8,250	......	890	......	......	69,480	......
December	27,840	23,842	8,455	10,000	1,085	......	......	71,222	......
Totals	$167,040	$150,927	$48,615	$32,000	$5,406	$113,000	$425,120	$932,108	......

or budgets of the production department and the marketing department, so that any changes in amounts, seasonable needs, etc., can be considered and arranged for in advance.

It can, therefore, be easily seen that, even in moderate changes which do not necessitate drastic rearrangement of the company, co-ordination and charting, estimating or budgeting are of great value to the continuation of a business which is changing its quotas or plans.

For Expansion or Contraction

More comprehensive plans are necessary where a considerable expansion is contemplated than where a reduction is to be effected, and some of these problems of expansion are here touched upon, with suggestions as to their most feasible and practical handling.

If a considerable expansion is contemplated, such as the building of plants or greatly enlarged production, sales or advertising campaigns, it is necessary to consider whether it is desirable to finance these matters from capital, temporary loans or the issue of new securities or obligations. As is well known, the financing of permanent improvements from temporary loans is deprecated, and also their financing from the surplus of the company, unless such surplus is more than ample for all general purposes. When expansion is in order, items to be debated and decided upon are estimates and plans for new securities and their marketing; also banking needs and the necessity for additional financing and funding methods, in connection with banking institutions, are items to be carefully considered and decided upon.

In case of contraction, it is sometimes necessary to consider the requirements of old securities, the sale of plants or equipments, and disposal of the stocks of discontinued goods. It is also needful to make appropriate cuts in sales and administrative appropriations and expense, and sometimes to make changes in banking or finance plans, as very few firms in these days can afford to run on an uneconomical or overcapitalized plan any more than they could afford to run on one which was inadequate or under-capitalized. As aforesaid, in either of the above cases, it is very important that not only the management but the stockholders watch carefully the statement and figures or budgeted plans and actual results of the company under transition, to be thus ready for suggestions, criticisms, or quick action in case any of the arranged plans do not work out promptly as expected.

Arrangements for New Plants

The financing and financial management of new plants or additional plants differ from the increase in production of old plants, merely in the need of more extensive and exact studies of the conditions that are expected to be met.

Previous to the financing studies should usually come a study of the strategic location of the plant or plants, as to country, state, city and exact location, which should be carefully worked up through an analysis showing the market for the finished products, the source of raw materials, the necessary transportation of both raw and finished materials, the labor and housing problems, cost of factory building and maintenance, taxes, and other important angles.

After the general study and choice of location, the particular study of the local site and the arrangement of the building, the kind and number of buildings, and the technical and general equipment, and the estimated or tentative budget of their cost, as well as the analysis of when these costs will have to be met, by cash or other payments, should be carefully worked out.

Next in the financing of these new operations must be carefully figured out the tentative estimate or budget on the purchase of raw materials, and the general running expense of the production department, the marketing department, and the administrative department, and, with a new organization plan, at least in a tentative way, these figures should be drawn up for a term of years, to get the best possible view of the prospective company's future and, in the rough, for the general industry.

Relation of New to Old Company

Another preliminary of importance to the final financial figures is to decide whether the new plant is to be a separate corporation, or a corporate part of the parent organization, and just what relations the two shall have to each other in general matters as well as finance.

If the two are to be entirely separate, it will be necessary to figure on the amount and class of securities most desirable for the particular business in question, even to the classes of stock, voting powers, general scheme and plans for future management, control and expansion.

After these and other detailed conditions of the business are carefully studied, planned and charted, the financial department will be in a position to consider the necessary funding and financial plans.

(End of the Series.)

Real Meaning of Exchange Discounts

Are They Hurting Our Export Trade?—Why the Exchanges Must Be Corrected—Important Plans Now Under Consideration

By JACOB H. SCHMUCKLER

THE conditions of the foreign exchanges today admirably depict the financial and trade relations between the nations of the world. They clearly indicate that the United States has become the creditor nation, that the world is taking far more commodities from us than we from it, that a good part of the world is greatly indebted to us, and that many nations want our products but have not the financial means to pay for them at present. In fine, the exchanges indicate the predominant position gained in foreign finance and trade by the United States during the war.

The greatest problem before the world today is how to hasten the return to the normal way of doing things. In order that the world may resume its normal life, Europe, including Germany, must have large supplies of all sorts of commodities. Unfortunately, however, she has not the financial means to pay for them right now, and must therefore be extended credit with which to buy. But she will have to get to work to create commodities with which to pay.

The United States is the large supply house of the world, and to it will undoubtedly fall the lion's share in supplying Europe with her needs for reconstruction, but it is quite erroneous to believe that the task will be exclusively American. The United States is, therefore, under obligation, in a certain sense, to help finance Europe until she arrives at the point where she will be able to pay for her imports with her own goods.

The productive capacity of this country has been very much enlarged since the beginning of the European war. We have clearly gotten to the position where we have great surpluses to export, and we must find markets for them. We can hardly hope to hold our exports on high war levels, and this would in many ways be undesirable, but if we are to have industrial prosperity here we shall have to maintain our exports well above pre-war figures.

The Course of the Exchanges

The subject of the foreign exchanges is a mystery to the layman, but more because of preconception than inherent difficulties. The rate of exchange between any two countries is the ratio of their currencies. For example, we say the rate of sterling is 4.18½, which means that the pound will command 4.18½ dollars. Now, on the basis of the standard mint values, the pound sterling should command 4.866 dollars, which figure is called the par of exchange. Without going into the many complications, the rate of exchange on any nation is at a premium, or above par, when the demands for bills upon it exceed the supply, and conversely, the rate is at a discount, or below par, when the supply of bills exceeds the demand for them. In normal times the exchanges between any two countries fluctuate within rather narrow limits, called the "gold points" fixed by the aggregate costs of shipping gold. These have been entirely disregarded during the war, as export embargoes were placed on gold.

The accompanying graph presents the course of the principal exchanges since the beginning of the European war. The seven exchanges chosen include the three principal ones, and four others, which are samples showing the conditions of the neutral exchanges, South American and Oriental. The rates are the highest during each month, and through November, 1918, are those for sight drafts, and from then to date are those for checks.

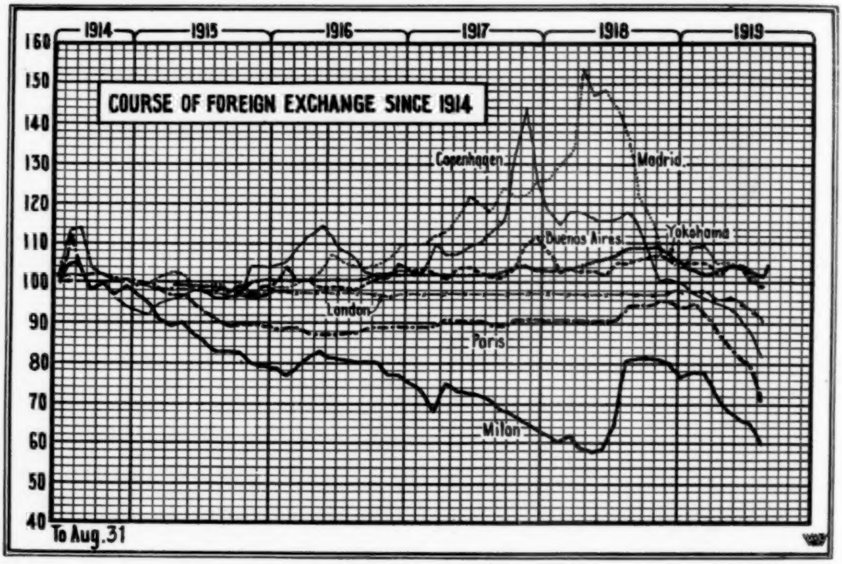
A detailed discussion or analysis of the course of the exchanges need not detain us here. The sharp declines in the Allied exchanges since last March are due to the removing of the supporting "pegs" by the respective governments. Suffice it to say that despite the substantial premiums existing at one time or other during this period on all the exchanges in terms of the American dollar, practically all the currencies of the world are today at a discount compared with our dollar. The only important exception is the Japanese yen, on which the premium is about 4 per cent.

The Allied exchanges are in a state of serious demoralization, because the supply of the foreign bills far exceeds the demand for them, and because the demands to settle obligations upon America far exceed the available dollar credits. Sir George Paish's

prediction of some weeks back that sterling would decline to $4.00 unless something radical was done immediately, was sealed with the label "pessimism" and temporarily forgotten, but the king-pin of the exchanges has been down to 4.12½. The franc and lira have also hit low records recently. At prevailing quotations the pound sterling is at a discount of about 14 per cent. in terms of the dollar, the franc about 35 per cent. and the lira about 45 per cent.

The Exchange Must Be Corrected

Exactly what does it mean to say that the exchanges are at a discount in terms of the American dollar? It means that a pound sterling will command 14 per cent. less of American dollars than at par, that the franc will command about 35 per cent. less and the lira 45 per cent. less. Translated into terms of commercial transactions, the English exporter must pay $1.14 for every dollar of American goods he buys here, the French importer $1.35, and the Italian importer $1.45. How can export trade flourish under such a heavy penalty? One of the prominent New York banks admirably summed up the situation when it stated that the serious discounts on the Allied exchanges had the same effect as high export duties. These abnormal discounts tend to encourage exportation from the countries whose currencies are depreciated and also encourage the sale of American securities by foreigners.



The effectiveness of an abnormally low exchange rate to curtail imports was clearly stated in Lloyd George's latest speech on Britain's trade policy. He suggested the removal of import restrictions on September 1, excepting for the so-called "key" industries, but believed that the exchange rate was low enough to discourage large importations. Measures are also to be enforced to restrict the importation of articles at prices which are below the domestic cost of production, and preference within the Empire is provided for.

Great Britain has also removed the restrictions on the exportation of capital so that loans can now be made to other nations. The plan will not result in the actual sending of capital out of the country, for the procedure will be to set up credits in London for the various countries to draw against through the sale of securities in London. The proceeds are to be used for the purchase of British goods. Great Britain appears, therefore, to have separated from her strictly free-trade policy of pre-war days, and is determined not to give up her position of supremacy to us without a struggle. A large loan is stated to have been made to Finland.

It cannot be emphasized too strongly that we cannot hope for an extensive export trade or trade and financial supremacy until the exchanges are corrected. In fact, our export trade is threatened, and already there are marked indications that the nations of

Europe are shifting their purchases so far as possible to other markets where the exchanges are more favorable to them.

The statistics of our July foreign trade furnish excellent food for thought in connection with the discounts on the European exchanges. Exports dropped $350,000,000 from the high in June and amounted to $570,000,000, which is still an increase of about $63,000,000 from June, 1918. This advance is rather insignificant compared with the rapid gains of the previous months of 1919 over the corresponding months in 1918. Imports, on the other hand, were the largest on record. These were valued at $345,000,000 as against $293,000,000 in June, 1919, and $242,000,000 in July, 1918. The trend of imports has been steadily upward since December, 1918. The balance of trade in our favor during July was only $225,000,000, which is the smallest for a number of months. The balance for the seven months ended July 31, 1919, was, however, about $1,000,000,000 greater than in the corresponding period of 1918.

The disparity in the exchanges is given as one of the chief causes for the slump in exports, though the shipping strike during the early part of July, and the reduced shipments of supplies and food by the American Relief Administration also partly account for the decline from previous months in 1919. The equalization of our exports and imports would indeed be a blessing, for it would reduce the demands for bills to settle obligations to America and would tend to hasten the correction of the exchanges. But we can hardly hope for this until the world as a whole substantially increases its production. Another point is that this equalization would help us materially only if we increased our imports in large measure from Europe, as our tremendous favorable balance arises chiefly out of the excess of exports to, over imports from, that continent.

Efforts at Correcting the Exchanges

The necessity of our retaining an extensive export trade was discussed above, but our exports are threatened because of the conditions in the exchanges. We cannot hope that imports will equal exports for a long time, and besides, Europe is heavily indebted to us. We must correct the exchanges if we want to hold our export trade, and there is only one way to do this, and that is, to extend long-term credit to Europe.

The United States Government has loaned the Allies about $10,000,000,000. This it did under the stress of war necessity, but it has since definitely announced that the problem of financing our export trade is strictly one for private interests. The War Finance Corporation still has about $1,000,000,000 to extend to exporters, but there are many complications which vitiate the value of such advances. Some bankers, who feel that the Government will have to play the leading role in financing Europe, are now suggesting a plan whereby the War Finance Corporation will form the center of the whole works.

The problem of financing Europe is essentially one of investment and not bank credit. The assets of our banks must be kept liquid. The crux of the whole matter is how to induce American investors to buy foreign securities and pay for them out of their savings. This is desirable not only to keep down the inflation here but also to increase the supply of capital to care for the world's needs. Consumption must be curtailed to necessities both here and abroad and people must save.

Ever since the armistice there has been much discussion as to various methods of extending financial assistance to Europe. To date nothing definite has been done, however, and indications point strongly to the matter being postponed until the ratification of the treaty of peace. In view of recent political developments, this may be some months yet.

The two plans discussed which are most in favor are Mr. Davison's proposal for a large investment trust and the co-ordination of the financial and industrial interests of the country, and Senator Edge's bill for the creation of large export corporations, under the supervision of the Federal Reserve Board. The latter plan has the approval of the Federal Reserve Board and the Secretary of the Treasury. Both have been analyzed and discussed in previous issues of THE MAGAZINE OF WALL STREET. No plan, in my opinion, can be successful which does not co-ordinate the activities of this country and Europe, which does not provide for centralization, and which will not induce Europe to get back to producing.

While no comprehensive plan has been finally agreed upon, private interests have extended large credits to Europe in the past few months. A number of acceptance credits have been opened, and the Foreign Credit Corporation has been formed by a number of prominent banks in the country to accept bills of both foreign and domestic clients in the financing of exports. A few foreign securities have been floated, and while a number are in prospect, they have been temporarily delayed by the very un-

satisfactory condition of the investment market and industrial relations in this country. Some firms have extended credits to foreign clients, but the big plan, which is sorely needed, is still held in abeyance.

The extending of credits would help the exchanges by creating dollar credits upon which the Europeans could draw in settling their obligations here, but any means that will do this will help. As a temporary expedient, Great Britain, in agreement with the Transvaal producers, has restored the free market for such gold in London. It is stated that the purpose is to sell the metal in the most profitable market, which, under present conditions, happens to be New York. This is so because a gold pound sterling sells at its full par value of $4.86, while a sterling check or bill sells at $4.20. The plan followed will undoubtedly be to send the gold and draw the bills against it in London. The full effects of this plan are yet to be seen, as no large shipments have been made, though we hardly believe that this will greatly relieve the situation.

Another method is to sell foreign holdings of American securities in this market. The serious discounts on the exchanges work to the benefit of foreigners, for they receive dollars in payment for the issues they sell. This advantage tends to offset the effect of the market depreciation in bonds and many stocks. There are a number of reports current that liquidation on a substantial scale is now going on, though it must be remembered that foreigners have already sold considerable amounts of their holdings of American securities. Whatever liquidation there may be, however, will aid to bring the exchanges close to normal.

Sir George Paish proposes an international £5,000,000,000 5 per cent. loan to be taken in definite proportions by the nations of the world, as a means to restore the financial conditions of the world to normal. The plan provides for complete co-operation of all nations, the various governments working through private bankers. Sir George Paish has been very emphatic on the need of full co-operation to solve the world's present difficulties, and there can be no parting with him on that point. Whether or not his plan of an international loan is practicable and will be resorted to finally, remains to be seen, but this certainly is not a time for stressing selfish gain to the detriment of the general welfare.

American Investors and Foreign Securities

Prior to the outbreak of the European war, American investors had shown hardly any desire to make large investments in foreign lands. Conditions created by the war changed this situation somewhat, but this was done under the stress of war necessity, and largely on the basis of patriotism, for we had to help the Allies.

Whether the American people will become large investors in foreign securities is an important question. It must be stated, however, that the inculcating of this habit will require much education and that the securities offered will have to be made attractive from the investment standpoint. Europeans are reported to be complaining of high interest rates, but it is well to remember that interest rates have advanced materially from pre-war levels. Perhaps the emphasizing of the patriotic necessity of buying foreign securities will help to keep interest rates lower than they would have to be on a strictly business basis. The truth of the matter is that since our prosperity depends largely upon an extensive export trade, which is in turn dependent upon extending financial assistance to Europe, the appeal to the American people's patriotism is justified.

A very vital consideration in connection with investing in foreign securities is the question of speculative profits through advances in foreign exchange rates. The question is whether the securities issued should be in terms of foreign or dollar currency. If the securities are in terms of the latter the foreigner assumes all the risks involved in exchange; if in terms of the foreign currencies, the American investor assumes the risks.

American investors, therefore, have a strong predilection for securities issued in the dollar denomination, and most of the securities floated here have been in terms of it. The following of this policy would aid the floating of future issues. Still, the present condition of the exchange offers Americans who buy foreign securities in foreign denominations large profits eventually, though there are a number of obstacles in the way of this plan, and the full risk of variations in the exchanges is assumed. Objections are the disadvantage of double taxation and the difficulty of immediate transfer. It is stated, however, that plans are being worked on now to remedy the difficulty of delayed transfer and to convert many securities into those of dollar denomination.

Let us take a concrete example. Suppose a good English railway preference stock is selling to yield about 7½ per cent. to the English investor. Sterling is at a discount of about 14 per cent., so that the yield to the American investor is more than 8 per

cent. There are also chances for speculative profits if the exchanges have advanced by the time he sells, though he loses if exchange moves the other way. A number of very attractive issues can be bought and extensive purchases of this character would help the exchanges, still the difficulties mentioned above may hinder this movement developing on a large scale, until remedied.

Summary

The Allied exchanges are at serious discounts, and unless corrected in the early future threaten our export trade. The way to bring the exchanges back to normal is to increase the supply of dollar credits or the supply of bills to settle obligations to America. A number of methods can, and have been, employed to do this, but the chief one is the purchase of foreign securities by American investors, who should pay for them out of savings to avoid further inflation and increase the supply of capital. Nothing definite on a large scale has yet been done in this direction, but something will have to be done soon. The present condition of the exchanges offers American investors a number of foreign issues at bargain yields and also prospects for good speculative profits through appreciation in the exchanges. Still a few difficulties resulting from the purchase of such issues will very likely have to be removed before this will be done in any large measure.

WALL STREET IN OTHER DAYS

Burning Zenger's "Weekly Journal" in Wall Street, November 6, 1734. The "Weekly Journal," edited by one Peter Zenger, was ordered by Governor William Crosby to be publicly burned by the city hangman, as it was charged that the paper contained seditious matter. Zenger was thrown into prison but was subsequently released. In the illustration, the buildings at the right are the City Hall and the Presbyterian church. The original Trinity is indicated in the distance. Stocks, whipping-post, cage and pillory are shown at the head of Broad Street.

Leading Opinions

About Financial Investment, Banking and Business Conditions

"Peak of Prices Has Been Reached"—President Wilson

In the address of President Wilson on the railroad wage question occurs the statement that he believes the peak of the cost of living has been reached, and that further price changes in the staple commodities will be downward in direction. Therefore, he points out, it would be unjust to establish a permanent wage scale on the basis of a cost of living which will go down. He says on this point:

"The substantial argument which the shopmen urge is the very serious increase in the cost of living. This is a very potent argument indeed. But the fact is that the cost of living has certainly reached its peak, and will probably be lowered by the efforts which are now everywhere being concerted and carried out. It will certainly be lowered so soon as there are settled conditions of production and of commerce; that is, so soon as the treaty of peace is ratified and in operation, and

Coffman in the Milwaukee *Wisconsin-News*
ALL ABOARD!

merchants, manufacturers, farmers, miners all have a certain basis of calculation as to what their business will be and what the conditions will be under which it must be conducted.

"The demands of the shopmen, therefore, and all similar demands, are in effect this: that we make increase in wages, which are likely to be permanent, in order to meet a temporary situation which will last nobody can certainly tell how long, but in all probability only for a limited time."

"Tax System Causes Rising Prices"—Kahn

To all the causes for high prices that have been advanced to date profiteering, currency inflation, unrestricted exports—Otto H. Kahn has added the war-time system of taxation in a memorandum sent by request to an official at Washington. His opinion is that one great factor in bringing down prices will be a reduction in taxes or a change from present methods. In part, Mr. Kahn said:

"It is, I believe, a demonstrable fact that the unscientific system of taxation adopted in this country since 1917 has played a considerable part in boosting prices.

"The excess profits tax has tended to increase actual cost of production, inasmuch as costs naturally are deducted before taxable profits are arrived at, and, therefore, under the operation of the excess profits tax there is not the same inducement as under normal circumstances to keep costs down as much as possible, but in fact rather the reverse."

"No Prosperity Without Co-Operation"—Roberts

If everybody is going to clamor and strike for more pay or more profits, as the case may be, and depend on the huge crops to bring prices down, they will be making the mistake of their lives, says George E. Roberts, vice-president of the National City Bank. The only sane method is to keep up the sense of community of interests and the co-operation which prevailed in war time and extend it to present conditions.

"We have no bumper crops," says Mr. Roberts, "and therefore the reduction in food and clothing prices, which is necessary to general price reduction, cannot be expected.

"It is strange that people who during the war were willing to make sacrifices for the common interest, to deny themselves or give their labor to uphold the Government and the nation in a conflict with foreign powers, should suddenly lose apparently all sense of obligation to the common interests. There can be no prosperity for the people of this country except by willing co-operative industry, each individual and group doing its duty in its own field, without arbitrary demands, satisfied with a reasonable adjustment of its relations to others."

"Export Slump Due to Exchange"—Reynolds

The decline in foreign exchange has caused a corresponding reduction in our exports, which may spoil our "favorable" balance of trade, but eventually will result in lower prices in this country, if that means anything to anybody, according to Arthur Reynolds, vice-president of the Continental and Commercial Bank of Chicago. In a newspaper interview, he said:

"A very large curtailment in foreign exports has been caused by the advanced value of the dollar in Great Britain and France. The

value of the pound sterling is so low that it takes a considerable percentage above par for foreign buyers to purchase commodities they formerly bought when there was not such a large difference in the exchange.

"Any reduction in exports from the United States will tend to reduce prices here."

"We Must Have Foreign Outlet," Owen Asserts

We may choke on our own overproduction if something is not done to make foreign markets available to us by stabilizing their exchange, in the opinion of Senator Robert L. Owen as expressed in a letter to President Wilson. Unless this is done, he says, we shall find ourselves loaded up with products and no place to sell them, and then will follow a period of low prices artificially produced. He summarizes the situation as follows:

"Unless immediate steps are taken I fear a serious business reaction will take place in the United States by cutting off a large part of our foreign market for our surplus products throwing these products back on the United States, and causing a very serious recession of prices due to overproduction. I agree that prices should come down but the reduction should be by the elimination of excess profits artificially placed upon goods, and they should not come down by cutting down the wages paid to labor."

Barnes Defends Price of Wheat

If you're paying too much for a loaf of bread, don't blame it on the grocer, nor on the grain dealer, nor on the farmer, nor on the U. S. Grain Corporation. Julius H. Barnes, wheat director of the United States, tells you what to blame it on in a statement issued to the public in which he tells why the Government is going to maintain the fixed price of $2.26 a bushel on wheat. He says:

"Our people should understand these salient facts regarding the world's wheat situation.

1. Shrinkage in North American promise, since June 1, of probably 400,000,000 bushels.
2. Shrinkage, the result of lesser acreage and of soil deterioration, in European wheat and rye production, promising, outside of Russia, a total bread grain yield of 1,500,000,000, against a normal production of 1,800,000,000 bushels.
3. The elimination by war and famine of Russia, Rumania and India, formerly contributing to consuming Europe 300,000,000 bushels of bread grains.
4. The advance in Argentine prices under world demands until today, with longer voyage and higher freights, Argentine wheat costs delivered Europe fully 50 cents more per bushel than American wheat delivered Europe."

Hurley Tells of Three New Uses for Shipping

According to former Chairman E. N. Hurley of the Shipping Board, a ship of the United States merchant marine should be more than just a ship—it should also be a Government mail carrier, a wireless trade news service, and a training school for future American marine officers. In an article in a New York newspaper he summarizes the future uses of our shipping as follows:

"There are three great national needs which our merchant fleet should be designed to fill in addition to freight carriage, which is its primary function. They are: The establishment and maintenance of an American ocean mail service capable of covering the world. A centrally controlled wireless telegraph service

Rogers in the New York *Herald*

NEARING THE INEVITABLE END

for use in promoting the safety of life and property at sea, and for giving to American shipping and business the advantage of constant commercial information. Also adequate provision for the training of an officer personnel capable of making sure that our ships will always go to sea in charge of American citizens."

Nat'l Bank of Commerce Deprecates Pessimism

"So what's the use of worrying?" translated into more dignified language, is the message of the National Bank of Commerce in its recent statement advising optimism as to the prevalent industrial unrest and the attempts to bring down the high cost of living. In the words of the bank's letter:

"There would not seem to be grounds for undue apprehension. The business activity of the country is based on fundamentally sound and essential production. With due consideration given to producing costs, the price-level agitation does not threaten general business activity, and losses resulting therefrom should fall mainly on speculative profiteers. Furthermore, as the Federal Reserve Board has pointed out, the existing level of prices has not resulted from an undue inflation of currency."

"Clearing-House Should Watch Foreign Credits"—Outerbridge

Indiscriminate buying of foreign securities to improve the exchange situation may do as much harm as good, in the opinion of E. H. Outerbridge, noted New York banker. The central clearing-house that he suggests would make an inventory of the resources

—McCutcheon in the Chicago *Tribune*

IF CAPITAL AND LABOR DON'T PULL TOGETHER

and credit needs of the foreign countries seeking loans here and so distribute credit that no foreign country would be, so to speak, overcapitalized. In an article in a New York newspaper he says:

"There is a necessity of having some central clearing-house with which all credit issuing institutions or individuals will co-operate and to which they will report their aggregate credits to each place and country. This credit clearing-house should have at its command the fullest and best possible information of those general and specific conditions in foreign countries upon which commercial and financial credit can be safely predicated.

"Unless such a central credit clearing-house is established, where at all times the aggregate amount of credit issued or outstanding by financial institutions in the United States to any given place or country can be known, it is certain with many active agencies in the field seeking business and issuing credits, that aggregate credits may be given in some cases far in excess of that justified by the national wealth, assets and economic condition of the country involved.

"Since the volume of credit that must be extended can only be provided by the wide distribution of securities of some sort to the people at large in the United States, it is of prime importance for their safety and for the promotion of the habit of thrift and investment that the foreign obligations standing behind the securities which the public is asked to absorb should at all times be within the conservative limit of economic justification."

Labor Sees Light? Says R. C. Mayer & Co.

Tired of following the pursuit of happiness within the vicious circle of higher wages and still higher costs of living, labor has determined to wait for the efforts to bring down prices to have effect and in the meantime to increase production, thereby aiding in the deflation of prices, according to Robert C. Mayer & Co., investment bankers of New York. In a letter the company says:

"The strike epidemic is abating. Evidence is not lacking that a second sober thought following upon an exhibition of firmness by the Administration is swaying union officials. With organized labor determining to await the outcome of the present efforts to reduce the cost of living before pressing demands for further increases in wages, the situation resolves itself into a truce, with good prospects for eventual peace in industry.

"Labor agrees to stay at the helm and produce if present living costs are lowered. As this new policy of labor must, through an increase in production, cause a fall in commodity prices, the outlook is at once brighter."

"Columbia Will Rule The Waves"—Grace

The old chorus "Britannia rules the waves" may have to be modified by the substitution of another name unless Britannia quits striking and gets into overalls again at the shipyards, according to W. R. Grace, head of the firm of W. R. Grace & Co., of New York. On his return from a five months' trip to Europe he gave as his impression of the shipping situation:

"I do not believe that any one here realizes the serious situation of shipping in England and the other Allied countries. In England there is no indication that an approach to normal conditions has even begun, and, although there is some building, there is the unrest of labor. I cannot foresee any immediate change for the better.

"To me it is evident that the United States, with its building programme rapidly going on, will soon occupy a dominating position in the world's shipping."

Seven Per Cent. and Safety

Why We Still Have Good Bonds Giving High Yields—The Case of Railroad Issues—A List of Attractive 7% Bonds

By JOSEPH B. COWETT

IT is now more than ten months since the Armistice was signed, and still the writer says, "7 Per Cent. and Safety." This sounds like war-time yields for secure bonds.

For a few months prior to November, 1918, bond prices had advanced, and optimism as to the future of the bond market almost immediately replaced the almost universal pessimism.

This came naturally as a reaction from the sharp decline which bonds had been experiencing from the beginning of 1916 to September, 1918, and the slight advance made everybody happy. Unfortunately, however, the general trend soon turned downward again, but for only a short while.

The course of the bond market since January, 1918, is presented in the accompanying graph. It clearly shows that the average of prices for high-grade railroad bonds during August set a new low record for the period covered, as did also public utility issues. Second-grade railroad issues have also receded sharply since last November, but are still above their previous lows since January, 1918.

Industrial bonds have moved in a distinctive manner, holding generally more firm than any other class. The reasons for this were discussed in an article entitled "Industrial Bonds Which Are Still Cheap," in the May 10th issue of THE MAGAZINE OF WALL STREET. The rather sharp declines in the averages for all classes of bonds from levels in the earlier months of the year were undoubtedly due to the realization that demands upon the capital market would continue heavy for some time, and the expectation of bargains among the many flotations in prospect.

It is the course of the bond market since the Armistice, as outlined above, that makes consistent the title used at the head of this article. There are a number of good bonds to be had yielding 7 per cent. or over, and some of the best of these will be treated here.

The future course of the bond market is of course a fundamental consideration for the prospective purchaser. The writer believes that the bond market will continue without much change for some time, but that the bottom has about been reached. This means that very little is to be gained by postponing purchases in the hope that they can be made at lower levels. This is, I believe, the time to buy bonds, but they must be discriminately chosen. Purchases should be restricted to well secured issues, and as the yields obtainable from such bonds are in many cases very liberal, the investor does not have to resort to speculative issues in order to secure a large return.

Railroad Situation and Railroad Bonds

Most of the well secured issues yielding the high rate of 7 per cent. or over are in the railroad group. Such bonds have been affected not only by the advance of the general level of interest rates, but have also been adversely affected by the very unfavorable developments in the railroad situation in the past few years.

The railroad situation is bad, and the future of the roads is not known in nice detail, but quite regardless of all the radical agitation as to operation, control or ownership and regardless of what labor will do, I believe that railroad bondholders, who hold issues well protected by asset values and earnings, need fear little about the final adjustment of the railroad problem. The brotherhoods or any other group of men in this country cannot take property "without due process of law," unless we have a revolution, which is highly improbable. Separating the roads from their owners would necessitate a valuation of the roads, and it is a generally accepted proposition that the railroads of this country are not as a whole overcapitalized, and this is especially true in the case of almost every road as concerns bonded indebtedness.

If this argument is correct, investors need have little apprehension as to buying well secured railroad bonds solely because they are obligations of railroads. Their interest will be well protected and holders will secure a good income and eventually reap the benefit of good market appreciation.

List of Attractive 7% Bonds

The accompanying table presents a number of well secured bonds yielding 7 per

cent. or over. In the writer's opinion they are all bargains around prevailing prices.

Some Bonds Analyzed

Short analyses of some of the more important issues are given below:

Colorado Industrial 5s. Interest and principal guaranteed by the Colorado Fuel and Iron Company. A direct obligation of the issuer, now owned or hereafter acquired. The Colorado Fuel and Iron leases all the property subject to operation of the Colorado Industrial Company, paying as rental an amount sufficient to cover interest charges, sinking fund requirements and expenses of any kind in connection with the property. As the assets of Colorado Industrial have a large value to the guarantor, the guarantee has vital force. Sinking fund of 4c. a ton of coal and 10c. per ton of iron mined should help to protect the equity of the bondholders. A very attractive issue at these prices, and is unquestionably selling below its intrinsic worth.

Chile Copper 6s. A direct obligation of the company and secured by a lien on the entire capital of the Chile Exploration Company, the operating property, subject to $15,000,000 convertible 7s. Chile Copper owns what is stated to be the largest copper deposits in the world, which have an exceptionally long life. Property very efficiently operated and equipped and cost of production comparatively low. Production at present far below possibilities, but plans have been under operation for some time to increase the output. The consummation of such a plan would materially benefit holders of securities, as it would enlarge earnings. Total interest charges earned about 3.3 times in 1918 and 4.4 times in 1917. Earnings in the first half of 1919 rather unsatisfactory, but the depression in copper adversely affected the earnings of all copper properties. They should show up better with improvement in the copper industry. Bonds convertible into stock at 35, though conversion figure is to be lowered if other bonds are issued to be converted at smaller quotations. Authorized $100,000,000; outstanding about $35,000,000 and $15,000,000 reserved to retire convertible 7s. Considering security, a bargain at prevailing prices and even a few points higher.

Chesapeake & Ohio 4½s. Secured by junior lien on various mileage and under terms of indenture no future mortgage may be placed upon mileage owned at date of this issue without equally securing it. Chesapeake has been doing very well despite the very unsatisfactory general condition of the railroads. Actual earnings in 1918 were nearly $4,000,000 greater than the standard return guaranteed by the Government. Road one of the few to earn larger net along with gross in 1918 as compared with 1917. Earnings since the beginning of the year have shown further improvement over corresponding periods in 1918. Prospects of the road good. Has tripled volume of business since 1909, and net earnings have about doubled. Property financed largely out of earnings and $30,000,000 has been plowed back into road in past ten years. Total interest charges earned 1.91 times in 1916, 1.82 times in 1917 and about twice in 1918, on the basis of actual earnings. Road well maintained. Conversion privilege appears to have hardly any value. Bonds cheap and good prospects for better prices as conditions in the bond market and railroad situation become more normal.

New York, Chicago & St. Louis 4s. Nickel Plate has quietly been showing up very well. In 1918 the road earned $1,615,655 more than the guaranteed return. Earnings have been showing good expansion since the close of 1914. Net operating income in 1918 increased about 50 per cent.

ATTRACTIVE BONDS YIELDING 7% OR OVER.

Issue	Maturity	Price About	Yield to Maturity About
Colorado Industrial First 5s	1934	79	7.50%
Chile Copper Collateral Conv. 6s	1932	90⅝	7.15
Computing, Tabulating & Rec. S. F. 6s	1941	87½	7.10
Chesapeake & Ohio Convertible 4½s	1930	78½	7.50
New York, Chicago & St. Louis Deb. 4s	1931	73	7.25
Chicago, Rock Island & Pacific Ref. 4s	1934	69⅛	7.45
Chicago & Western Indiana Cons. 4s	1952	62½	7.10
Tennessee Copper Convertible 6s	1925	94	7.25
Laclede Gas Collateral 7s	1929	99¾	7.05
Denver & Rio Grande Consolidated 4½s	1936	69¼	8.00
Rio Grande Western First 4s	1939	65	8.10
St. Louis, Iron Mountain & Southern Ref. 4s	1929	73	8.50
St. Louis, Iron Mountain & Southern Gulf 4s	1933	69⅞	8.00

over the 1917 total. Total interest charges earned 2.35 times in 1916, 1.64 times in 1917 and 2.68 times in 1918. Traffic of road well diversified, and operating efficiency is on up-grade. A direct obligation of the company, and equally and ratably secured with second and improvements 6s. Issue appears to be good bargain.

Chicago, Rock Island & Pacific 4s. According to official valuation, assets of road exceed its total capitalization, including common stock, by $64,000,000. Bonds therefore have ample assets. On 10-year average total interest charges were earned about 1.4 times. In 1916 they were earned 1.65 times; in 1917, 1.7 times, and in 1918 a slight deficit was shown, but the Federal compensation covered interest charges with a good margin. Road operates in a prosperous and growing territory, and has bright prospects. Traffic diversified and property has been well kept up. A distinct bargain at prevailing prices.

Tennessee Copper 6s. Assets behind this issue conservatively placed at 400 per cent. of par value. Company earned total interest charges 5 times in 1916, 6 times in 1917 and 4.4 times in 1918. Even in the dullest years before the war interest requirements were covered twice over. Extensive plans stated to be under way to develop big fertilizer business. This should improve position of the property. Conversion privilege appears to have little value. Liberal sinking fund provided for, which should help strengthen the equity of the bonds. An attractive issue, and early maturity should help market appreciation.

Denver & Rio Grande 4½s. Part of a closed mortgage secured by a first lien on more than one half of the property. Complication in connection with Western Pacific guarantee have had a depressing effect on the market values of this issue, but these bonds are secure under any but almost impossible adverse developments. Prior in lien to about $51,025,000 of three other bond issues. Total bond interest earned on average of 1.44 times in the past ten years and about 1.2 times in 1918, though payment on some issues has been deferred because of postponement of signing the contract for road's compensation. Operating efficiency appears to be very satisfactory, and amounts set aside for maintenance have been showing good improvement. Issue legal for savings banks in Missouri and Rhode Island. Bonds selling below intrinsic worth.

Rio Grande Western 4s. Outstanding $15,190,000 of these bonds, which are secured by a first lien on 411 miles of main road in the states of Colorado and Utah. Issue has been assumed by the Denver & Rio Grande. The road connects with the Western Pacific at Salt Lake City and with the Union Pacific at Ogden, giving the Rio Grande its only western outlet. Mileage is therefore very important to the larger property. Value of this bond has unduly suffered because of Western Pacific guaranty difficulties, but this issue is secure under any but the most adverse developments. Bonds have sold much higher, and are now selling below intrinsic value.

St. Louis, Iron Mountain & Southern 4s. Both the river and gulf 4s and the unifying and refunding 4s are prior in lien to the Missouri Pacific refunding 5s and the general 4s of 1975. The river 4s are a first lien on 772 miles and are secured additionally by collateral. The refunding 4s are a direct mortgage on 2,039 miles and a first lien on 611 miles. The latter issue is subject to prior liens outstanding at the rate of $30,287 a mile. Both issues left undisturbed in the Missouri Pacific reorganization. Mileage pledged important to the "Mop" system. Total interest earned 1.06 times in 1916, 1.67 times in 1917 and 1.15 times in 1918, based on Federal income account combined with corporate items. Earnings since beginning of the year have taken a bad turn, but the interest requirements on these bonds should be well protected under any probable developments.

BRITISH LABOR WARNED OF PERIL

In an article in the London *Daily Chronicle* recently Frederic Harrison, a veteran champion of trades unions, struck a deep note of warning to British labor and made a strong appeal to labor leaders to use their efforts to avoid "the chaos into which our country seems to be hurrying." He said:

"It rests with you, the trained and chosen leaders of labor, to make your fellow-workers understand how close to ruin and starvation our people stand. This is no panic cry. It is the plain truth, which your experience of economic realities must have forced upon your own minds. Make those who look to you for guidance see it as clearly as you see it yourselves.

"Trade unionism, which during two whole generations has won for our people untold gains by gradual and skillful action, is menaced today from within by mutiny. It is challenged by the outlandish craze for local soviets and wild-cat visions of foreign anarchism. Unless you, the responsible leaders, can enforce discipline, restore union and common sense in the masses of labor, trade unionism itself is lost—and in the breakdown of it ruin and starvation await millions of our people at home.

Investment Inquiries

PIERCE OIL CONV. 6s
Should Be Exchanged

Pierce Oil Convertible 6s are exchangeable into the new 8% preferred stock of that company. There is little doubt that the dividend on this stock can be earned regularly, and consequently we believe that a price of around 105 would be justifiable for the preferred stock. These bonds have been called for redemption at 105. We suggest that the bonds be exchanged for this new preferred stock.

"FRISCO" PRIOR LIEN BONDS
Drop Discounts Worst Possibilities

It will probably take a long time before St. Louis & San Francisco prior lien bonds get back to their former price, but we believe that ultimately the railroads will come back and St. Louis & San Francisco prior lien bonds will do so also. Of course, if the Plumb plan is adopted it will have a vital effect on railroad bond prices, but the market has doubtless discounted such possibilities to a large extent and it is beginning to be thought that no such drastic plan will ever be accepted by the Government.

N. Y., N. H. & H. CONV. 6s
Price Reflects Uncertainty

New Haven convertible 6s at present prices reflect some doubt in the judgment of investors as to whether or not the interest on the bonds can be indefinitely continued. These bonds are convertible into the common stock at par, but the conversion privilege, in view of the present market for the common stock, has little value, if any. The interest, of course, is a fixed charge. At present prices we believe the bonds are a fair speculation. The road is passing through the worst period in its history, and although a scaling down of capitalization would be justified, by reorganization or otherwise, debenture holders would probably be taken care of in such event. We would not sacrifice at these levels, although we cannot work up enthusiasm as to a purchase.

U. S. RUBBER 1st PFD.
Helped, Not Hurt, by New Financing

U. S. Rubber first preferred stock, in our opinion, will not be weakened by the new financing, because the company has been plowing earnings back into the property in a liberal manner. The balance sheet of June 30, 1919, showed total assets amounting to $284,462,062.

For the six months ended June 30, 1919, U. S. Rubber reported net earnings equal to about $23 a share on the common stock, after allowance for preferred dividend. This is at the rate of $46 a share on the common compared with $30.80 a share in 1918. Even after the increase in stock, this will be at the rate of $23 a share for the year 1919, and it is to be assumed that with $36,000,000 additional from the sale of the new common stock the company will be able to increase its earning power. The future of the rubber and tire industry seems to be very bright, and the demand for tires seems to know no limit.

PITTSBURGH & W. VA. PFD.
Coal Owner Rather Than Railroad

Pittsburgh & West Virginia preferred stock, in our opinion, is a reasonably safe investment. During the war the road was a beneficiary for its coal properties reported earnings equal to three times its preferred dividend. There has been considerable talk of segregating the coal property from the railroad and there is a possibility that sometime in the future this preferred stock may be called at 105 for redemption. The railroad operations of the company have not been particularly good but its ownership of the coal properties pulls the road through.

The company has no bonded debt. Its subsidiary companies, however, have a funded debt of $5,670,000. There are outstanding $9 100,000 preferred 6% cumulative stock which is cumulative after January 1, 1921, and $30,500,000 common stock.

"KATY" GEN. MTGE. 4½s
A Speculative Bond

M. K. & T. Gen. Mtge. 4½s are of course entirely a speculation and we do not regard very seriously the oil possibilities of this road excepting that the system may benefit by increased traffic. It however needs a good deal of new net earnings to improve the financial status of the company. We would say the Interborough Metropolitan 4½s around 50½ give a better speculative bond to hold for a long pull. Although this system is in difficulties through the labor situation, when this is adjusted good equities are secure to bond holders, and from a long range viewpoint we believe that the market will reflect any improvement in the I. R. S. situation sooner than the prospects of M. K. & T. being able to show anything saved for its junior securities.

INTERNATIONAL AGRIC. PFD.

May Be Bought for Appreciation

International Agricultural Pfd. last July resumed the payment on dividends on that stock when the dividend of 1¼% was declared. There are still due in cumulative dividends 39%. In 1918 earnings were good and indeed during the war the showing has been splendid. Last year earnings for the preferred amounted to 14.89% compared with 9.31% in 1917 and 9.80% in 1916. The company had very lean years in 1913, 14 and 15 but in the previous three years earnings averaged higher than 10% for the preferred issue. We believe that at present prices it is a fairly good investment in view of the outlook for continued prosperity for agricultural concerns.

PHILADELPHIA CO.

Future Not Yet Discounted

The Philadelphia Company has recently been granted an increase in fares to 10c. In 1918 the stock sold down to a low of 21½, but since then it has rallied substantially and has been higher than 40. Due to the reaction on the general market as well as to the superficially poor condition of the traction companies, the stock is now down to around 34. We believe that the peak of operating expenses of public utility companies has been reached; consequently we regard Philadelphia Company Common Stock as an attractive speculation as the worst of the public utilities situation has probably been discounted.

GOODRICH RUBBER

Attractive at Present Levels

Goodrich Rubber reported net profits of $7,700,000 after all charges before taxes for the six months ended June 30, 1919, establishing a new high record for a half year's business. If the company succeeds in maintaining earnings at this rate it is estimated that after preferred dividends and deductions for taxes the balance for the common stock will be equal to $14 a share. There seems to be good reason to believe that Goodrich will earn even more in the second half of this year, for automobile production is increasing constantly and it is estimated that 7,000,000 tires will be required this year, and this is not taking into consideration the tire requirements of the automobiles now in use. Goodrich is only paying $4 a year and there is a good possibility that the dividend may be increased. The stock has sold as high as 89¾ and now that it has had quite a substantial decline from its high, we regard it as an attractive purchase.

BOOTH FISHERIES

Promising for Long Pull

Booth Fisheries at present levels has evidently discounted passing of the dividend. Although the earnings fell off last year, this company owns extensive shipping equipment and has an extensive organization for the sale of its product. Earnings prior to 1918 have been very satisfactory, and the dividend was earned, but was passed only in order to conserve cash resources. The only uncertainty in connection with this company is the agitation for price control in food stuffs, but we do not believe that this will interfere with reasonable profits. We consider Booth Fisheries an attractive specvestment for a long pull.

AMERICAN LOCOMOTIVE

Faces Period of Prosperity

American Locomotive has increased its dividends and there is little question that the company could well afford to do so, for in the year ended June 30, 1919, about $40 a share was earned on the common stock. Equipment companies have an enormous amount of business on hand and the outlook for them is very bright.

AMERICAN INTERNATIONAL

Good But Unseasoned

American International Corporation has probably the strongest management of any industrial corporation. The company has also good asset values, and in view of the expansion of American finance and business to other countries throughout the world, this company has attractive possibilities for a long pull. It has attractive speculative possibilities but is not a seasoned investment.

VACUUM OIL

Peace Prospects Bright

Vacuum Oil, of the Standard Oil Group, is a safe investment. Earnings have been large during the war but in our opinion its peace prospects are very bright. Its marketing organization covers practically every country in the world, and its foreign business, under normal conditions, forms a substantial part of what Vacuum will possess in revenue.

EMPIRE GAS & FUEL 6s.

A Correction

Owing to an inexplicable error, we indicated on page 837 of our August 30th issue that Empire Fuel & Gas Company would be adversely affected by higher fuel costs. Quite the contrary is true as the company is the principal oil and natural gas subsidiary of the Cities Service Company, and as such should obviously benefit greatly from advancing fuel costs.

As stated on page 842 of the issue referred to, we regard both notes and preferred stock of fairly good investment character, but as yet in the unseasoned class. The company ranks among the largest producers of high-grade crude oil in the world, and is a complete unit in the oil industry. Earnings cover interest charges on notes with a wide margin. Convertible into 8% cumulative preferred stock of company at par.

UNITED RETAIL STORES

Both Classes of Stock Attractive

United Retail Stores was recently organized with an authorized capital stock of 100,000 shares 8% cumulative preferred stock, $100 par value, and $1,160,000 common stock of no par value. Holders of United Cigar Stores were given the privilege of exchanging their shares for United Retail Stores class A common stock on the basis of two shares of the latter for each United Cigars share. We hardly believe that United Retail Stores will be affected very much by any labor troubles. Although it is too early to estimate the earning power of the new company there seems to be good reason to believe that the preferred dividend requirements are to be earned by a good margin and accordingly we consider the preferred stock a good safe investment. United Retail Stores is of course apt to go lower, but we do not predict that it will do so. We believe the common stock has good "long pull" possibilities.

SALT CREEK PRODUCERS

Will Benefit by Oil Leasing Law

Salt Creek Producers Association is a new company which controls the entire Salt Creek field. This company is sponsored by the same interests that made such a success out of Midwest Refining, Merritt and affiliated companies. In our opinion this stock is a business man's speculative investment, and is attractive in view of the expected passing of the oil leasing bill from which Salt Creek Producers will benefit possibly more than any other company.

AMER. SMELTING & REFINING

Long-Distance Prospects Brilliant

American Smelting & Refining is the greatest metallurgical enterprise in the world, and also engages in the business of mining, producing, smelting, refining, buying and selling copper, silver, smelter and a host of other metals and minerals and even chemicals. With an annual average of about $14¾ earned during the past eight years and an estimated extra boost of nearly $12 a share which the company will derive from silver, no fear should surround the present small dividend of $4 annually. Tangible asset value of the common stock at last appraisal was $144 a share. An increase in the dividend seems very unlikely this year and quite possibly next year. At the present time this stock appears to be an attractive speculative investment.

RAY CONSOLIDATED

A Good Long-Pull Holding

Ray Consolidated Copper would not be considered a good investment because of the fluctuations in the price of copper. As a speculation, however, the stock has much to commend it. Operations of the company in the first half of this year were approximately 50% of normal, copper production has been curtailed and in the seven months ended with July, production totaled 27,462,499 pounds of copper. During 1918 the total production amounted to 82,445,710 pounds. The copper situation has improved considerably in recent months and we believe that a copper stock like Ray Consolidated is a good long-pull speculation.

AMERICAN CAR & FOUNDRY

Prospects Hopeful

American Car & Foundry Company will probably increase the dividend on the common stock from 8% to possibly 12%. It is also expected that at the December meeting of the directors the reserve against payment of common dividends may be increased from $7,200,000 to $10,800,000 which is equal to about three years' dividends at the annual rate of 12% on the common stock. The company has a sufficient business on hand from repair work to keep the plant going until the end of this year. Earnings of the company during the past three years have averaged nearly $30 a share annually. The assets on April 30, 1919, were equal to $204 a share. We believe the prospects for this company are exceedingly bright.

NEW YORK CENTRAL

A Prospering Railroad

New York Central has been forging ahead recently. The pre-war average earned on this stock was $13 and the earnings of the first six months of 1918 were very satisfactory. We regard this stock as more attractive than Lehigh Valley and we also regard C. & O. as more attractive.

OKLAHOMA PROD. & REF.

Expanding With the Industry

Oklahoma Producing & Refining Company is a substantial organization and is making good earnings out of the present prosperity in the oil industry. The management is reliable, has ambitious plans for the company and is undertaking an extensive campaign of development and progress. The oil industry is especially favored in our country because United States consumption is greater than demand so that the oil industry here is not so dependent on the solution of the foreign exchange problem. Further, the oil industry is not quite so dependent on labor as are other industries and with the growth of demand, which is based primarily on industrial substitution of oil for coal, Oklahoma Producing should continue to prosper. It should be remembered, however, that the stocks of the oil industry have been advancing for the past eleven months and further that the capitalization of Oklahoma Producing is not especially small.

NORTH AMERICAN PULP & PAPER

Should Show Improvement

North American Pulp & Paper has declined several points doubtless in anticipation of its annual report for the year ended December

31, 1918, which was rather disappointing. Surplus after charges amounted to only $38,006, against $45,602 in the preceding year. Business of the company so far this year is said to show considerable improvement, this betterment doubtless being due to the demand for pulp which is causing higher prices in Canada. In view of the situation in the pulp market we suggest that this stock be held for a recovery to higher levels.

CONTINENTAL CANDY

Prosperity Is Indicated

Continental Candy was recently listed on the New York Stock Exchange. The income account for the six months ended June 30, 1919, filed with the New York Stock Exchange, revealed net profits before taxes of $416,011. The company is engaged in the manufacture and sale at whole and retail of candies, confectioneries and allied products The balance sheet showed cash at $232,215 and surplus of $250,000. Last year Continental Candy produced 20,000,000 pounds of candy, and thus far this year 11,000,000 pounds. The company has outstanding 500,000 shares of no par value. There is no preferred stock or bonded indebtedness. The stock is not assessable. The stock was declared under stock corporation laws of New York, in which state it was incorporated, at $5 a share, and on the balance sheet it represents an item of 2,500,000. The shares, representing a new enterprise, are not entitled to an investment rating, but as a speculation we believe Continental Candy has much to commend it.

AMERICAN TOBACCO

Only Partly An Investment

American Tobacco Co. has maintained a dividend of 20% for six years during which its average earnings have been about 27%. This stock has had substantial reaction from its high of over 250, but it must be remembered that the issue has advanced from a low of 140 in 1919.

The tobacco business is enjoying record prosperity but it is speculative to the extent that it cannot be predicted how far and how soon foreign competition will get into this prosperity. American Tobacco seems to be attractive as a semi-investment but it cannot be regarded an investment of the highest character.

CENTRAL LEATHER

Having Record Prosperity

Central Leather will probably report the best year in its history for 1919, even better than during the boom of 1916. During July a large domestic as well as good export demand was handled; indeed the demand from abroad is said to be increasing daily. In the six months ended June 30, Central Leather earned $15.06 a share and it is expected for the full year the balance of the common stock will amount to about $40 a share. There is little doubt that the extra dividend could be much greater than the 2% which it usually declares, but the company will probably be conservative in its action.

SINCLAIR OIL & REFINING

Heavy Depreciation Charges

Sinclair Oil & Refining is stated to have produced about 6,000,000 bbls. of oil last year. Wall Street interests are divided as to whether this stock is overcapitalized or not. At any rate, this stock is not an investment but a speculation as to whether the aggressiveness of the management and the future of the oil industry justifies such high hopes. It has been officially stated that the organization of the Sinclair Consolidated Company of New York is the first step of a merger of the various Sinclair Companies. This company charged off about $16,000,000 or 32 months depreciation and depletion charges against total assets of $111,000,000 which is at the rate of nearly 15%. This is not a stock which we suggest as an investment but has prospects marketwise.

MIDVALE STEEL

Could Stand Some Deflation

Midvale Steel has been war prosperous, but it is believed in some influential quarters that this stock is highly over-capitalized. At any rate it was organized during a period of inflation and expansion and as steel is either prince or pauper, to use Wall Street's expression, it will require a period of years of depression to season this stock. This company has a capitalization of $100,000,000, shares of $50 par value. It has reduced its dividend to a $4 annual basis. We are of the opinion that this stock is not so attractive a speculation as, for example, such issues as United States or Republic Steel common.

SUGGESTIONS IN REGARD TO INQUIRIES

The heavy volume of inquiries which this publication is receiving makes it necessary to ask our subscribers to co-operate with us in order that we may maintain and improve the high quality of service which the Investors' Personal Service Department renders to our readers. We therefore suggest that:

1. Not more than three inquiries be submitted at one time. Occasionally a subscriber sends in a long list of securities, asking for an opinion on each. The careful manner in which the Department handles its inquiries makes it impossible to give same the immediate attention necessary, without slighting other inquiries.

2. Trial subscribers are entitled to an opinion one ONE security, in terms of our "trial offer."

3. In case an immediate answer is desired on more than three securities, we make a charge of $1 each for the additional number (but not to Investment Letter subscribers).

4. Enclose stamp or stamped self-addressed envelope.

The above suggestions are drawn up for the benefit and protection of our subscribers and those inquiries which conform with them will receive first attention.

SPECIAL ANALYTICAL REPORTS—When a reader wishes a special investigation or a special analysis of a security or a subject we will be pleased to submit an estimate of the special charge for such work. We compile many Reports of this kind which are highly valued by purchasers.

New York Central vs. Pennsylvania

Pennsylvania Enjoys Better Credit Because of Small Debt—Central's Advantage in Operations and Earnings — Both Have Good Dividends Record

By OWEN ELY

NEW YORK CENTRAL and Pennsylvania have for many years been competitors, not only for traffic, but for the prestige of leadership among the Eastern railroads. The New York Central has adopted the title of "America's Greatest Railway" and the Pennsylvania is known as "The Standard Railroad of America." In many ways the Pennsylvania has enjoyed the better of the argument, perhaps because of the wide distribution of its stock (there are 112,000 holders, of whom 30 per cent. are women). New York Central, while it also has a large body of stockholders, has been largely identified in the public mind with the Vanderbilt family.

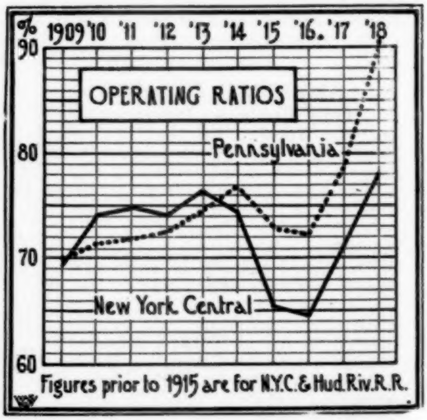
Again, the Pennsylvania has had a more stable financial foundation. The New York Central suffers under the handicap of a large funded debt, which comprises 71 per cent. of its total capitalization, while the Pennsylvania has only 37 per cent. of its capital in bonds and its capital stock is double that of the Central. The fixed charges of the Pennsylvania were earned four times over, on the average, up to 1917; while New York Central earned the interest on its funded debt only about twice. This is the fundamental reason why the Pennsylvania has always enjoyed better credit than the New York Central.

Earnings on the Pennsylvania stock have been subject to less fluctuation, on a percentage basis, because of the large amount outstanding ($500,000,000). However, the evidence clearly goes to show that the stock of the New York Central is now in a stronger position than that of the Pennsylvania.

The old New York Central and Hudson River Railroad appeared to be losing ground in the years preceding 1914, but the consolidation with the Lake Shore & Michigan Southern—one of the best dividend earners of the Vanderbilt system—gave it a new lease of life. It is true that the parent company had enjoyed large dividends from the Lake Shore property but it was unable to avail itself of the entire earnings of that property except by merger, which was accomplished in 1914 after a protracted series of hearings and suits. While they company was forced to buy out the minority interests of the Lake Shore at a very substantial price (due, it is understood, to provisions in the corporate law of Ohio), this factor did not seriously handicap the earning power of the new company.

Central Has Terminal Advantages

Moreover, the completion of New York Central's comprehensive terminal plans, the building of large hotels and office buildings above the right of way, and the development of Park Avenue in New York as a residence district have given the company a considerable advantage over the Pennsylvania in this respect. The latter can hardly hope to overcome the initial obstacle of its inferior location in New York City, and it cannot develop its real estate to the extent that Central has.



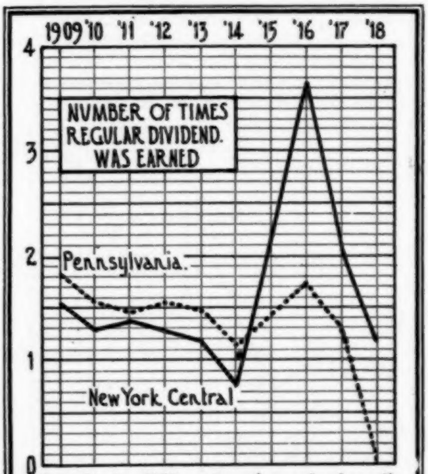
Since the Lake Shore consolidation, and during the war period, Central has enjoyed a comparatively low operating ratio. Pennsylvania's operating ratio for the 9-year period 1909-1918, inclusive (averaged 73.4 per cent. as against 71.3 per cent. for the New York Central. The difference of 2.1 per cent. of gross revenue would have been equivalent to nearly 1 per cent. on the capital stock.

Central's net income has run considerably higher than Pennsylvania's in recent years, the former averaging 12.4 per cent. on the

stock for 1915-1918 against 8.9 per cent. for the latter (including in the average the "standard return" for 1918, which is about 9.8 per cent. for Central and 8.8 per cent. for Pennsylvania and its western lines). If the earnings for 1918 be taken on the basis of actual operations, the averages show a greater difference—11.4 per cent. for the New York Central and 6.7 per cent. for the Pennsylvania.

Pennsy "Fell Down" in 1918

In view of the anticipated early return of the railroads to private operation, the actual results have greater significance than the



Results for 1918 are based on actual results.

"standard return." During the first two months of 1918, Pennsylvania reported a deficit over operations of about $7,618,000, and again in June had a loss of $8,232,000; New York Central during the first two months reported a deficit of only $681,000 and for June of $5,723,000. For the entire year Pennsylvania's net over operations was $17,929,000, against 1917 earnings of $49,561,000 and a standard return of $51,378,000; on the other hand, New York Central reported net of $48,291,000 against the 1917 figure of $54,451,000 and the 3-year average of $55,802,000.

During the year 1918 the Pennsylvania Railroad had a ratio of transportation expenses to gross revenues of 45.3 per cent. as against 40.6 per cent. for the New York Central. Pennsylvania also expended 41.1 per cent. of revenues for maintenance compared with 33.1 per cent. for Central. Had Pennsylvania's maintenance ratio corresponded to that of New York Central, net operating income would have been increased by approximately $29,360,000, making a total of about $47,300,000—a slightly better showing than that of New York Central (on the basis of standard return). The question therefore arises as to what extent, if any, the maintenance expenditures of the Pennsylvania were "padded" or those of the New York Central "skimped."

High Maintenance Costs

Had the greater part of Pennsylvania's excess maintenance been for maintenance of way and structures, it might be conjectured that the company had taken advantage of the period of Government operation to place its road-bed in first class condition, but the greater part of the increase was in maintenance of equipment.

	M. W. & S.	M. E.	Total
Pennsylvania	14.1%	27.0%	41.1%
New York Central..	11.8%	21.3%	33.1%

From these figures it seems evident that the cars and locomotives of the Pennsylvania Railroad suffered considerably from the severe wear and tear due to the blockade and bad weather conditions in the early part of 1918.

Comparisons, however, should not be limited to a single year. New York Central for a number of years has been able to maintain its equipment at a lower cost than Pennsylvania. For the five-year period 1913-1917, inclusive, the comparative maintenance costs per mile run have averaged as follows:

	New York Central	Pennsylvania
Locomotives	11.4c	16.3c
Freight cars..............	13.6c	14.4c
Passenger cars...........	1.4c	1.9c

The above results indicate either that the Pennsylvania's equipment has been maintained at a much higher standard of efficiency than that of New York Central, or that its shop efficiency has been lower and the cost of maintenance, per unit of work accomplished, correspondingly higher.

The results since January 1, 1918, seem to indicate that the latter interpretation is the correct one. If the Pennsylvania's equipment had been in better condition than that of Central, why should its transportation ratio in 1918 have risen so high? And why should the company have been forced to increase its expenditures for maintenance of equipment far above the previous generous standard? Of course, other factors would have to be taken into account in making an exact analysis, but the general con-

clusion seems evident that the New York Central found itself in a better position than the Pennsylvania to handle the glut of traffic during 1918.

Results for 1919 indicate that the Pennsylvania has not yet been able to recover any of the lead obtained by its competitor in 1918. New York Central for six months of 1919 earned $15,300,000 from operations, against $4,600,000 in the same period of 1918—a gain of $10,700,000—while the Pennsylvania this year showed net earnings of $4,500,000 against the deficit for six months of last year amounting to $5,800,000—an increase of $10,300,000. While the two roads have thus shown similar improvement, Pennsylvania should have made a better showing in view of its large maintenance expenditures in the previous year.

Combined Results for Systems

The relative results for the principal subsidiaries in the two systems reflect the same conditions to an even greater degree. The principal western roads of the Central system have all been remarkably prosperous. Michigan Central in 1918 earned $13,606,000, against its standard return of $8,052,000. Big Four earned $14,688,000, against its standard return of $9,938,000. Both roads show increases this year of 90 per cent. over last year. Pittsburgh & Lake Erie, the "richest" of the Central lines, also had good results in 1918, earning about 12 per cent. more than its standard return. Two of the smaller roads, Lake Erie & Western and Indiana Harbor Belt made bad showings.

Pennsylvania roads on the other hand reflected uniformly bad results (with the exception of Long Island). The Pennsylvania Company earned only $4,284,000 against its guarantee of nearly $15,000,000, although earnings for the first half of 1919 showed a gain of $5,100,000. Pan Handle failed to meet its standard return by $8,360,000 in 1918. Grand Rapids & Indiana earned only a quarter of its guarantee and West Jersey & Seashore operated at a deficit.

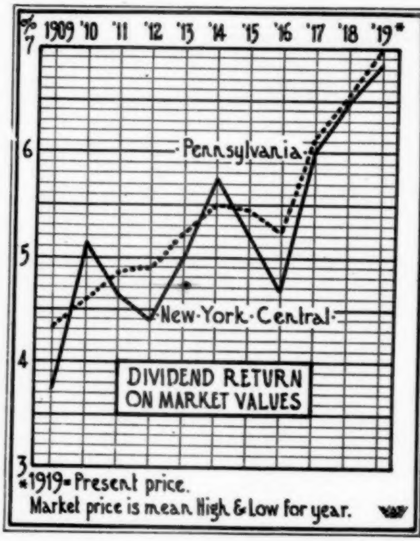
Combining the net operating income of the roads comprising the two systems for the eighteen months' period of government operation up to June 30, 1919, the results indicate that during this period the Pennsylvania System earned only 29 per cent. of its standard return while the New York Central Lines earned 93 per cent.

Pennsylvania Railroad's transportation ratio for the first half of 1919 was 45.4 per cent compared with 51.4 per cent. for the same period of last year. This improvement may be due in part to the opening of the Hell Gate Bridge.

New York Central showed a corresponding improvement in its transportation efficiency, reducing its ratio from 48.5 per cent. to 44.4 per cent. (for the respective six months' period). There was little advantage either way in regard to the amount of traffic handled, Pennsylvania gaining $22,000,000 gross revenues against $19,000,000 for New York Central.

Conclusion

At present prices of about 43 for Pennsylvania (par value 50—6 per cent. dividend) and about 73 for New York Central



(5 per cent. dividend), the latter has an income yield of about 6.85 per cent. as against 7 per cent. for the former.

Pennsylvania has an enviable dividend record, and there is little doubt that it will continue to pay the regular 6 per cent. dividend after the return to private operation, even if forced to draw heavily on surplus. New York Central, although it has never been able to maintain a 6 per cent. rate, has had a very consistent record (5 per cent. or over since 1900), and with present earnings and the strength displayed by its subsidiaries, shows great promise for the future. It will be watched with interest.

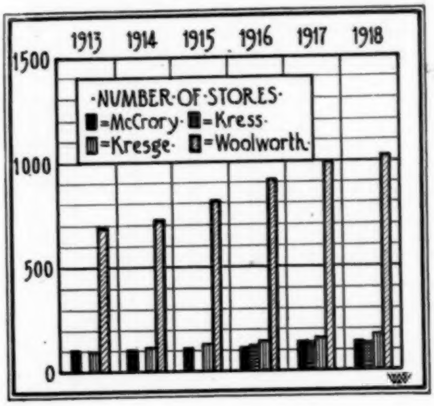
A Neglected Chain Store Issue

The Inconspicuous Merits of McCrory — Its Present Low Price Makes It Attractive — Comparison with Its More Pretentious Rivals

By BENJAMIN GRAHAM

THE recent death of F. W. Woolworth has attracted general attention to the five and ten cent store industry, of which he was the founder. While the organization that bears his name is at once the oldest and largest of its kind, there are several other systems of importance, the common stocks of which are publicly held.

In order of gross sales, these are S. S. Kresge, S. H. Kress and McCrory. Kresge and Kress (strange similarity of names) enjoy with Woolworth the advantage of listing on the New York Stock Exchange, but McCrory is an inactive issue, dealt in "over the counter" only. For this reason investors generally are but little acquainted with the latter company, their knowledge being restricted to the vague impression that this is a small and none too prosperous enterprise. Let us see to what extent this opinion is justified by the facts.



Since all five and ten cent systems operate under substantially similar conditions, they are especially well adapted to comparative treatment and a study of the bare figures should yield more than ordinarily illuminating results. But while the chain stores have of late supplied a favorite subject for investment house circulars, these have confined themselves simply to the presentation of a mass of statistics, without any serious attempt to draw helpful conclusions therefrom.

The investor is chiefly interested in knowing which of the four common stocks is intrinsically the cheapest at present market prices. Now if we merely compare the gross or net earnings of the various enterprises we will not get far in our investigation, because a company's leadership in gross business may be more than offset by heavier capitalization, or overdiscount by its higher market price. We note for example that in 1918 Woolworth's sales were eleven times, and its net profits seventeen times, greater than those of McCrory. For many readers this would seem conclusive evidence that Woolworth is a much more desirable investment. Yet it is of equal significance that the smaller company has only one-tenth as many shares, and that each share is selling at only one-fifth the price of Woolworth common.

TABLE I.
Percentage of 1918 Earnings to Market Price of Common.

	Gross	Net After Taxes	Balance After Pfd. Divs.
Woolworth	171%	9.4%	7.84%
Kresge	227	10.6	9.76
Kress	209	11.4	8.81
McCrory	768	27.8	20.96

In other words, while Woolworth may be earning *seventeen* times as much as McCrory, its market valuation is *fifty* times as great. Consequently McCrory earned last year 21 per cent. on its market price, against only 7.48 per cent. in the case of Woolworth. Despite the latter company's enormously greater business, from the standpoint of earning power, McCrory would appear more than twice as attractive at 25 as Woolworth is at 125.

Comparative Earning Power

This primary test of value is applied to all common stocks in Table I, which shows the gross and net earnings (after taxes) *per dollar of market price.* Since Woolworth has not yet received its 1918 taxes, these

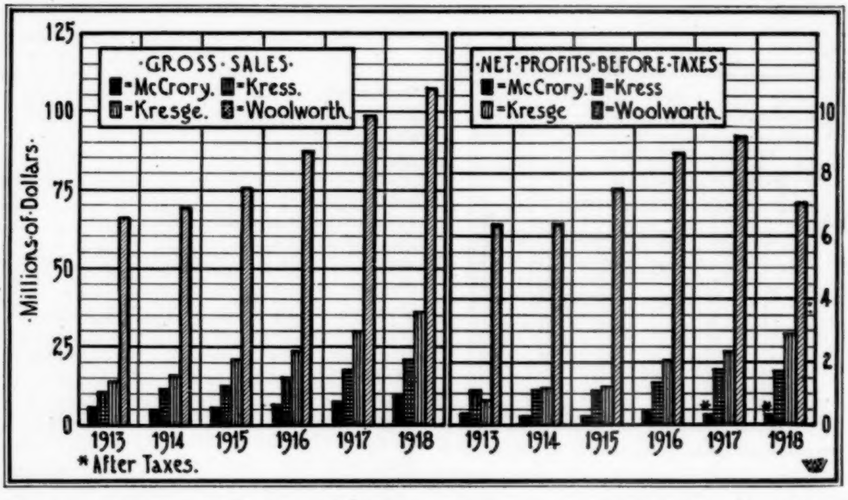
are arbitrarily assumed at the 1917 figure. The table shows clearly that on the basis of last year's income account, McCrory common is selling far out of line with the other three issues—and in fact makes more than twice as good a showing on its present market price as does its nearest competitor, Kresge.

These results should be interesting enough to tempt us further into an examination of the tangible asset position of McCrory as compared with its more pretentious rivals. These figures, given in Table II, contain not a few surprises. In the first place it is rather startling to note that McCrory preferred, which goes begging around 92, has actually more tangible assets behind it per share than Woolworth preferred, one of the highest priced and

form system in the accompanying graphs.

But to return to McCrory it is indeed astonishing to discover that the tangible asset value per share of this humble common stock is fully as large as that of Woolworth, which sells five times as high. Moreover, if allowance is made for 1918 taxes (which are not provided for in the Woolworth balance sheet), McCrory would actually be found to have *more* dollars of real assets behind each share of common.

If the very low market price of McCrory is taken into account, its tangible asset position—like its earning power—places it distinctly at the head of the four companies. It is the only one of all the common stocks which is selling for less than the real assets behind it. These represent 160 per cent. of its market price, against



best regarded issues of this type of investment. In this connection attention should be drawn to the excellent showing made by Kresge preferred, which—because of the small size of this issue compared with the common—is far better protected than many better known preferred stocks selling ten points higher. It is nothing short of ludicrous that Kress preferred should be quoted above Kresge preferred, as the former has not a single point in its favor. Not only is Kresge in a much stronger position with respect to both assets and earning power, but its past record also shows a healthier and more rapid growth. This is true whether we consider the increase in number of stores or in gross sales per store or in net profits per dollar of sales—all of which can be traced for the

only 33 per cent. for Woolworth and Kress and 86 per cent. for Kresge.

Reasons for McCrory's Backwardness

McCrory is selling so much lower than its statistical position would justify (as compared with the other companies) that we are impelled to seek the reasons underlying its apparent bargain-counter (or five and ten cent counter) price. The first explanation that presents itself is the absence of a common dividend. This is an important drawback, it is true, yet not a fatal defect. The value of an industrial common stock is rarely definitely determined by its dividend rate at any particular time. Speculative issues have sold at fabulous figures while returning nothing whatever to their owners. But a more cogent argument

is found right among the other chain store issues. The price of 160 for Kresge is certainly not governed by its $5 dividend, which gives it a yield of only 3.10 per cent. Even Kress, which pays $4, returns only 4.70 per cent. at its present price—less than a Victory bond. Woolworth has the greatest dividend yield of all despite its position as dean of the chain store issues. This would indicate the realization by investors that, in the last analysis, the current dividend rate is of less importance than the possibilities of future dividends, as measured by earning power and asset value.

TABLE II.

Tangible Asset Values Dec. 31, 1918.

	Per Share of Pfd.	Per Share of Common	% of Mkt. Price of Common
Woolworth	$265	$41	33%
Kresge	490	138	86
Kress	190	28	33
McCrory	272	41	160

In the case of McCrory, the withholding of dividends has enabled it to build up the uncommonly strong tangible asset position which we have already discovered behind its common stock. At the time of recapitalization in 1915, the company started off with $20 per share of real value for its junior issue. In three years and a half it has just doubled this figure, although the market price of the common has stood practically still. Incidentally this indicates that the *average* earnings since reincorporation have been about $5.60 per share, or 22 per cent. of its market price. Hence the investor need not fear that the 1918 exhibit may have been an isolated and misleading one.

TABLE III.

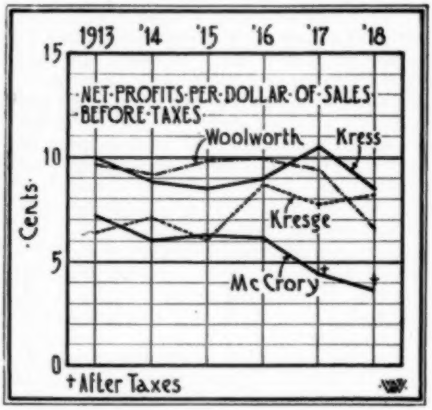
Capitalization and Dividends.

	Preferred Outstanding	Preferred Price	Preferred Rate	Preferred Yield	Common Outstanding	Common Price	Common Rate	Common Yield
Woolworth	$12,500,000	116	7%	6.03%	$50,000,000	125	8%	6.40%
Kresge	2,000,000	108	7	6.48	10,000,000	160	5	3.12
Kress	3,740,000	110	7	6.36	12,000,000	84½	4	4.70
McCrory	1,179,000	92	7	7.61	5,000,000	25	——	——

Working Capital

A more valid objection to McCrory than the absence of dividends is based upon its current asset position. The trouble here is not that working capital is insufficient—this could have been more logically argued against Kresge—but rather that it has shown so few signs of growth in the past. Since December, 1917, net current assets have increased only $236,000, or about 23 per cent., while gross sales have practically doubled. The surplus earnings have gone chiefly into fitting up additional stores, and into advances to the subsidiary which acquires real estate for the new locations. With sales increasing so much faster than working capital, the company would doubtless find it hard to spare the cash for common dividends.

Now since the writer's purpose is not to sell McCrory stocks but only to analyze them impartially, he has no intention of belittling this really serious objection. No doubt this is the "true inwardness" of McCrory's extraordinarily low market price,



which otherwise would have provided too good an opportunity to be neglected by the few who are really familiar with the company's affairs. One is moved to point out, however, that a very similar situation obtained with regard to S. S. Kresge, less than two years ago. This company's stock was then selling at 80, at which price it appeared a remarkable bargain in view of its exceptionally high earning power and asset backing. But its working capital had failed to keep pace with the rapid expansion of its business and was lower in proportion to sales than that of any of the other chain store systems, McCrory included. Hence the directors were, and still are, compelled to pursue a very conservative dividend policy. It is likely that even the insiders hesitated to buy into this extremely prosperous enterprise, because they feared it would be a long time before

it could spare the cash for liberal dividends—unless new capital was raised, which seemed improbable. Nevertheless, value—like murder—"will out," and although Kresge has added only $1 to its dividend rate, its market price has doubled, as investors have at last realized its strong position and brilliant possibilities.

Will McCrory Follow Kresge?

Encouraged by this example, the writer is tempted to utter a prediction that McCrory, marketwise, will prove a second Kresge, despite its handicap of insufficient operating funds and consequent deferment of dividends. But a fundamental element in Kresge's success is lacking in the case of McCrory—namely, the steady *increase* from year to year in the net earnings available for the common stock. The graphs reveal that practically all the advantage gained through the continuous expansion of McCrory's business has been lost through the equally persistent shrinkage in the net profit per dollar of sales. In 1913 the net earnings amounted to 7.24 per cent. of gross, whereas last year the ratio had fallen to 3.72 per cent. While some indeterminate portion of the poor showing of 1918 and 1917 is due to war taxes (not stated separately by McCrory) comparison with the other companies shows that this factor cannot account for all of the trouble. No doubt the great increase in the cost of goods purchased, coupled with the necessity of retaining a fixed selling price, had a good deal to do with this unsatisfactory showing.

It would be easier to grow enthusiastic over McCrory's future if, like Kresge, it had doubled its net profits in six years, instead of maintaining them practically unchanged. But what McCrory lacks in progressiveness it makes up in stability, since in no year in the past seven has less than $4 been earned per share of common stock. It ought to be asked further whether there is any good reason why McCrory should not be able to establish a ratio of net profits to gross sales, somewhat approximating that of the other three systems. With a $10,000,000 business this year, it should not be greatly handicapped in its purchases, and by skilful management it should be able to achieve considerable improvement in this respect.

The Crux of the Problem

Here we have the fundamental elements in the McCrory situation. The stock is undeniably selling at much less than is warranted by its present asset value and earnings. This would indicate the belief by investors that the company may be going backward—or at least is stagnating—a belief strongly supported by McCrory's inability to increase its net earnings during the last seven years. But in the vitally important respects, the company has not stagnated. Since 1916 its gross business has increased faster than that of Kress or Woolworth, and nearly as fast as that of Kresge; and it leads all the rest in the relative growth of the number of stores. McCrory is therefore in a fundamentally sound position, and there are possibilities of a sharp expansion in net profits, dependent upon the capabilities of its management.

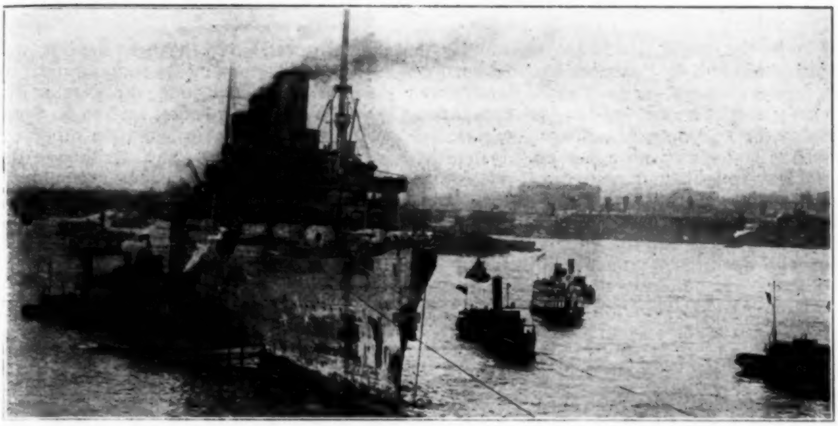
All things considered, it is difficult to imagine McCrory's being worth less than 25 under any circumstances, while there are good reasons to look forward to seeing its price much higher one of these days. It is a good stock for the patient investor, the kind that usually makes the largest profits and incidentally isn't worried by day to day fluctuations.

SOUTHWEST BANKER SUMS UP LOCAL CONDITIONS

The outlook for money and credit in the Southwest together with a local view of foreign investments is summed up briefly by J. W. Perry, president of the Southwest National Bank of Commerce, of Kansas City, one of the largest banks west of Chicago. He says:

"Our territory is in good condition, credits are freely granted, and funds plentiful. The people of this community know little of the European financing plan and, therefore, will not be liberal investors in the securities offered.

"The rehabilitation of our own industries, land buying and payment for Liberty Bonds, seem to be absorbing our surplus fairly well. On account of the newness of our country and the development going on around us, we have never been large buyers of outside securities."



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The mighty "Leviathan" which probably will be added to the I. M. M. fleet

International Mercantile Marine and Pacific Mail

Interest Centered Upon Payment of Back Dividends of I. M. M. —Company Increasing Earning Power Rapidly

By ARTHUR C. WATT

WHILE adjustment of the back dividends amounting to 57 per cent. on Marine preferred is the subject about which many stockholders are now mostly interested, there is another important factor which should not be overlooked.

That is, combined net earnings of the British and American properties made a decided turn for the better several months ago, and the outlook was so favorable that Secretary Parvin stated "net earnings for 1919 will probably exceed, by not less than from 25 to 50 per cent., the average net earnings of 1917-1918, which were, respectively, $12,171,541 and $11,493,074."

These figures represent earnings of steamers directly operated by International Mercantile Marine, together with profits of the subsidiary companies, all of whose capital stock is owned by the former, with exception of that of Frederick Leyland & Company, Limited, in which Marine owns 41.5 per cent. of the £1,414,350 five per cent. cumulative preference shares and 98.7 per cent. of the £1,200,000 ordinary stock.

Although it is obvious that Marine can secure the earnings of the British companies only through their declaration of dividends, yet, as the former interests control the entire situation, the distribution of dividends is, to all practical purposes, entirely up to the discretion of the Marine directors and even if no change is made in the past rates, the additional earnings will pile up further equities for the stocks.

The indicated increase in 1919 earnings of from 25 to 50 per cent. over 1917-1918 is of considerable significance, for if the official expectation is realized, earnings on the preferred stock will be not less than 25 per cent., with excellent possibilities of exceeding 30 per cent.—or from 18 to 23 per cent. for the common. Even a better showing may be made, inasmuch as the British excess profits tax was reduced 50 per cent. last April—from 80 to 40 per cent!

The State Department's recent announcement that passports will be issued to tourists bound for France, Belgium and Italy after October 1, 1919, is a favorable trade factor. Thousands will want to see the European battlefields before any important reconstruction work is done and steamship passenger business will be greatly increased and reflect favorably upon earnings of the International Mercantile Marine Company's big liners which include the third largest

ship in the world, the *Olympic*, of 46,359 tons (built at a cost of more than $8,500,000 before the war when costs in England were low); the *Adriatic*, of 24,541 tons; the *Baltic*, of 23,876 tons, and many others.

It is understood also that an advance in foreign freight and passenger rates will materialize in the very near future, and if this event takes place, Marine is in position to benefit, but the extent will depend largely upon any possible adjustment of tive prospects over the next several years.

Marine also has leases running until 1920 on five piers alongside the North River (New York) at a rental said to be $70,000 each, or considerably less than other companies would have to pay. Although these leases expire next year, they are subject to renewal for ten years at an increased rental of only 10 per cent. This terminal asset is a very valuable one, owing to the effect the saving in rental will have on

INTERNATIONAL MERCANTILE MARINE

Statement of Income for the Years Ended December 31.

	1918	1917	1916
Gross Earnings, after providing for British Excess Profits Duty	$30,151,368.78	$41,604,208.43	$60,602,009.97
Miscellaneous Earnings	4,516,984.90	9,541,545.65	9,514,104.52
	$34,668,353.68	$51,145,754.08	$70,116,114.49
Operating and General Expenses, Taxes and Miscellaneous Interest	18,938,053.91	32,871,451.91	40,471,441.38
	$15,730,299.77	$18,274,302.17	$29,644,673.11
Fixed Charges	2,789,762.55	2,798,316.56	3,698,023.05
Profit for the Year, before providing for Depreciation on Steamships	$12,940,537.22	$15,475,985.61	$25,946,650.06

Profit for Year 1918, before providing for Depreciation on Steamships, as shown above	$12,940,537.22
Deduct:	
Depreciation on Steamships for 1918	3,301,510.81
Surplus for the Year 1918	$9,639,026.41
Add:	
Surplus December 31, 1917	26,611,836.16
	$36,250,862.57

rates set by the British Government, which has commandeered 50 per cent. of space on all English trans-Atlantic vessels.

On December 31, 1918, the company had 93 ships of a gross registered tonnage amounting to 896,524 (approximately 90 per cent. British), of which the passenger ship proportion was about 225,000 tons. At that time the steamers under construction and ordered amounted to 215,000 tons. Since then it was reported that the company had acquired eleven more ships, all of which indicates that as the company is not going to be liquidated, every effort will be made to satisfy the large demands which are going to be made on ocean shipping over the next few years.

Another potential source of increment and income is represented by the company's ownership of 32,971 shares or 16½ per cent. of the capital stock of the New York Shipbuilding Corporation, which is developing a large earning power and possesses attrac- operating expenses in competition with other steamship lines not so fortunately situated.

Not to Be Liquidated

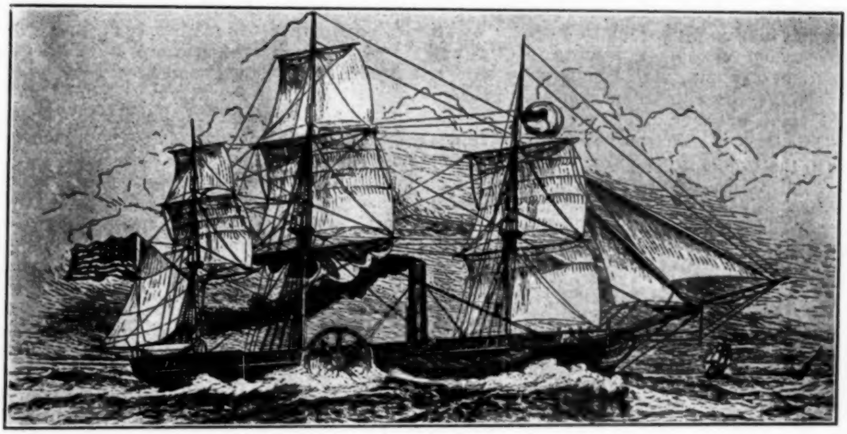
The proposal to sell out to a British syndicate was so overwhelmingly rejected recently by the stockholders (530,072 votes to 78,521) that one wonders why the matter was ever considered seriously, aside from the sentimental side of the affair.

While it is true that shipping since the war has developed into more of a national proposition than perhaps ever before, yet in the unlikelihood of Great Britain passing any legislation unfavorable to the company's operations, its future would not be seriously impaired. Some of the directors were of the opinion that owing to the somewhat peculiar position occupied by the company (which has a United States charter although practically a British concern), that it would not have the friendly co-operation and good-will that either a concern entirely

British or American owned might enjoy.

On the other hand, the company possessed a large fleet of vessels that could not be replaced at any price in less than three years (and then only at a cost largely in excess of the price offered by the British syndicate), during which period the "cream" of ocean traffic was going to be available. The directors therefore put this matter of policy squarely up to the stockholders, who, guided by the action of the largest shareholder—the American International Corporation—decided that the advantages they now possessed far outweighed any other considerations.

This action works out very favorably for able plan by which all or a part of these arrears can be paid off without subjecting them to the federal income taxes which would eat severely into the profits of some of the large stockholders. Various rumors have been afloat on this point, one of the latest being the issuance of short term securities amounting to 32 per cent. or the equivalent in cash and offering stockholders the opportunity of selecting either form of payment according to the effect it would have upon their "income" position. This "make shift" would work out fairly well for both large and small stockholders, as some modifications might be made in the income tax by the time the proposed short



The famous "Savannah," the first steamship to cross the Atlantic. She started on her voyage 100 years ago last May.

Marine common stock which thereby receives the benefit of the increased earning power of the company in addition to possible increment created by reinvestment in property account of funds aggregating more than $50,000,000.

Organization

Present capitalization consists of $60,000,000 cumulative 6 per cent. preferred stock, of which $51,725,500 is outstanding, and $60,000,000 of common stock, of which $49,872,000 is outstanding. There is also $38,655,000 of first mortgage and collateral trust gold 6 per cent. bonds dated October 1, 1916, and October 1, 1941, callable at 110 and interest, which are being reduced through use of sinking fund of 10 per cent. per annum since October 1, 1918.

No dividends were paid on the preferred until 1917 and accumulated dividends on June 1, 1919, amounted to 57 per cent.

Efforts are being made to perfect a suitterm security would mature and meanwhile the "little fellow" could take his cash immediately. Although just why (insofar as the company is concerned) any such plan should be made for the benefit of the small shareholder is not quite clear, inasmuch as the same purpose would probably be attained eventually by leaving the accumulated dividends stand as they do at present. One reason possibly is the "bird in hand" aspect and immediate availability of the accrued dividends for the large stockholders in the form of short term securities as collateral.

Outlook

The long expected official announcement bearing on the disposition of the 57 per cent. of accrued dividends on the preferred may be made very shortly, but regardless of *when* such action takes place, it is evident that it *will* take place and the long-range view favors purchase of the preferred stock

at around current levels (about $116).

For example, even though the back dividends shouldn't be paid for three years, the average annual return in the meantime would be very satisfactory, and there seems to be no question as to safety of the principal. Possibly this is one of the reasons why the American International Corporation continues to hold 82,745 shares of the stock and a large block of common, despite the fact that these issues apparently have averaged the company considerably less than the current market quotations.

The 6 per cent. bonds are selling around 96½ and as an annual sinking fund of $500,000 is available for their "purchase or redemption at not over 110 and interest," the company is more interested at present in *buying* than in redeeming this issue. As an investment yielding a fraction over 6 per cent. per annum, with comparative safety, and some elements of market appreciation, the bonds are attractive.

The largest element of speculative values is in the common (par $100) now selling at around its record high of 58⅜ compared to a low this year of 21⅜. A big reaction from current levels would ordinarily seem in order were it not for the facts that the final decision has been made not to liquidate the company, that earning power is increasing at an unusual rate and that the next few years evidently are going to equal the most prosperous period in the career of the company, which made its "peak" in 1916, as shown in the statement of income herewith. Prior to the war, some of the important factors which operated against Marine were: over-capitalization, competition of the Hamburg-American and North German Lloyd steamship lines, and the position of this country in regard to foreign trade. Now this is changed. The capitalization has been adjusted, the German lines will not attain their former position for years, if ever, and the United States is in a dominating position insofar as foreign trade is concerned.

In view of the foregoing and adjustment of preferred dividends, it would seem that Marine common is in line to eventually sell at much higher prices, although it is not recommnded to "traders" on account of its sharp fluctuations. As a fairly "long pull" speculation, however, especially for those who prefer to temporarily dispense with the dividends, owing to income tax requirements, the common is considered to possess very profitable possibilities.

Pacific Mail

After being on the verge of "expiring" in 1915, on account of the expected adverse effects of the "Seamen's Act," the Pacific Mail Steamship Company has since come to life in a vigorous manner and is entering upon a new period of expansion.

The Company has just purchased four new steel cargo vessels from the U. S. Shipping Board and announces that beginning this month (September) it will establish a service between San Francisco and Baltimore via the Panama Canal, calling at Cuba, Central American ports, etc., thereby providing shippers with an all-water service under the American flag.

The company also maintains a line from San Francisco to Hawaii, China, Japan and the Philippines; one direct to Manila, Singapore, Calcutta, Colombo, Saigon (French Indo-China), and another from San Francisco southward, via Central American ports to Panama.

Extension of the service again to Baltimore and addition of four cargo vessels results in greater tonnage carrying capacity and creates a new source of revenue for the company. Plans are also under way for greater development of the Far Eastern service and the establishment of branch offices in Yokohama, Kobe, Shanghai, Manila and Hong Kong in place of former commercial agencies is another factor in building up American foreign trade in those centers. The Pacific coastwise service also is going to be further developed, the company now having two fast 6,000-ton vessels under construction for operation between Seattle and San Francisco. No line is yet in operation by the company from North Pacific coast parts to Asiatic points but undoubtedly will be established at the first favorable opportunity.

Pacific Mail now operates practically half way round the world and through its affiliations with the big Atlantic fleets of the International Mercantile Marine Company, W. R. Grace & Company and the ramifications of the American International Corporation, it would seem that Pacific Mail has become an important link in the steamship chain which extends from Europe to the United States, thence to Mexico and Central America, through the Panama Canal to and along the western coast of the United States and thence to the Orient, etc.

Small Capitalization

Present capitalization of the Pacific Mail consists of $2,000,000 common stock, par $5, of which $1,500,000 is outstanding. An issue of $1,700,000 preferred was redeemed at 110 in September, 1918, and

70,000 shares of additional common were issued, which stockholders subscribed for at $25 a share. Consequently the common now has first claim on dividends, current rate being 20 per cent. regularly and 40 per cent. "extra" which on the basis of present market prices (around $40) returns an annual yield of about 7½ per cent.

Working Assets

Working assets jumped from $4,694,781 on December 31, 1917, to $11,535,845 on December 31, 1918, or an increase of about 2,500 per cent. (making this balance sheet item equivalent to around $37 a share) without resorting to any financing other than issuing 70,000 shares of common last year at 25, the proceeds of which ($1,700,000) were used to retire the preferred, amounting to $1,700,000.

An important contingent asset is represented in the operating claims of the company against the Government. The former's vessels were under requisition by the Shipping Board for more than a year and in 1918 earned largely in excess of the Government allowance to the company, which did not agree to the basis upon which the vessels were operated. Just what this adjustment will amount to, if made, is difficult to say at this time, but *unofficial estimates* run as high as $3,000,000 or around $2 a share.

Earnings have been turned back into the property, and the reserve for depreciation and amortization amounted to $3,512,555 on December 31, 1919, compared to valuation of $6,546,133; a total of about $900,000 being set aside in 1918 without any increase in the property account.

Earnings

Income for the six months ending June 30, 1919, amounted to approximately $4.13 a share (compared to $4.10 a share for the corresponding period in 1918), before amortization and taxes which will continue to absorb a large proportion of annual revenues. The increase in income amounting to $238,845 is significant in the light of the company's ability to reduce operating expenses due largely to the policy of installing oil burning equipment on its vessels and as these improvements progress, the economies resulting therefrom will make themselves felt in future earnings, inasmuch as the traffic of the company is constantly assuming greater proportions. A barrier against large earnings, insofar as stockholders are concerned, is the low capitalization of the company, there being only $1,500,000 outstanding and the consequent heavy federal taxes. Last year approximately 45 per cent. of total income was reserved for this purpose and about 35 per cent. in 1917.

Outlook

Present market price of around $40 a share for Pacific Mail compares with a low of $29½ this year and appears to have fairly well discounted its financial position and earning prospects for 1919. The company has a growing equity in the New York Shipbuilding Corporation which is controlled jointly by Pacific Mail, International Mercantile Marine, American International and W. R. Grace & Co., which community of interests presage favorable developments over the next few years for Pacific Mail. The present dividend rate of $3 is adequately protected and although no startling increase in it is looked for, yet there are some inherent prospects of stockholders securing "rights" to subscribe to additional stock as further physical expansion on a larger scale, especially in connection with the growth in Pacific trade, may make such action possible.

WALL STREET JOTTINGS

George M. Shutt purchased the membership in the New York Cotton Exchange held by the estate of L. Christ for $24,000. This compares with a record price of $24,500.

Carl H. Pforzheimer & Co., have prepared a statistical review of the new $100,000,000 issue cumulative 7 per cent. preferred stock of the Standard Oil Company of New Jersey. It includes a chart showing its yield at various prices, taking into consideration the possibility of the stock being called at 115 after three years.

National Park Bank has been appointed by the Surrogate of New York County administrator of an estate. This is the first such appointment of a national bank under the amendment of the Federal Reserve Act granting trust powers to national banks.

Lazard Bros. Company of London, have opened an agency in Antwerp, at 26 Rue Quadaen, under the management of C. Fuog and C. O. Oglethorpe.

James Cyril Cuningham of Cuningham & Hinshaw, Liverpool; Edward G. Gibbons of Memphis; Clayton E. Rich, Jr., of Rogers, Rich & Co., and Herbert W. Bienstok of Chicago, have been elected members of the New York Cotton Exchange.

Two seats have been sold on the Stock Exchange for an aggregate of $177,500. The seat of Theakston de Copper was sold to Cornelius Hearn, Jr., for $90,000. William G. Taggard sold his seat to Henry C. Weitzein for $87,500. The last previous sale was $90,000. The following were elected to membership: Vance Landerdale, Arthur Sinclair, Jr., Reginald Rowland, Albert J. Seligman.

California Packing Forges Ahead Rapidly

An Unobtrusive Newcomer Upon the Stock Exchange of Great Strength and Promise—Its History and Prospects

By HARRY HOFFMAN

PUBLIC attention during the past few years has been focused upon our so-called "war babies," with their great temporary prosperity arising out of unprecedented conditions. Upon the ending of the war, oil and oil stocks came to the fore, and an insatiable public demand was created for this class of security. Temporarily, the companies representing our basic industries—those which "carry on" through good times and bad, and whose products are always in demand—have come in for a small share of activity. But food and clothing the world must have, and whether the times be "hard" or "easy," the business of such companies must continue.

A review of world conditions over the past five years, and more particularly of our experience in attempting to feed our armies on the other side and the starving peoples of Europe, brings forcibly to mind the necessity for preserving our almost unlimited food supply, so as to make available in lean years and at distant points the surpluses which we accumulate.

Expansion of Industry

Out of this necessity has grown a vast expansion of the packing and canning business in this country. Many packers have greatly added to their facilities and have branched out into new lines of industry; new combinations have been formed both for the purpose of operating in this country and in South America and other foreign lands; and an era of general prosperity for all who have been engaged in the packing and canning business has been apparent for a long time.

The business of packing and canning salmon has for many years been one of the largest and most important branches of the industry. The Alaska Packers' Association is the largest packer of canned salmon in the world, and operates sixteen canneries in Alaska and on Puget Sound. It owns two salmon hatcheries in Alaska, a large shipping yard at Alameda, Cal., and an ocean-going fleet of 89 vessels used in the transportation of the salmon pack.

In 1916, approximately 80 per cent of the stock of this important company was acquired by the newly-organized California Packing Corporation, which at the same time acquired the entire capital stocks of companies engaged in other branches of the canning industry, such as the canning of fruits, vegetables, etc. Among the companies absorbed are the J. K. Armby Co., the California Fruit Canners' Association, the Central California Canners, the Oregon Packing Co., the Hawaiian Preserving Co., Ltd., the Griffin & Skelley Co., and the Visalia Fruit & Land Co., all of which have been in business for many years.

In its present form, therefore, it will be seen that while the California Packing Corporation is a new company, the organizations which it comprises have long been in existence, and are established concerns.

Directly, and through its own subsidiaries, the California Packing Corporation owns and operates 71 canning and packing plants handling fresh fruits and vegetables, located in California, Oregon, Idaho, Washington and Utah, and its business has recently been expanded by the purchase of the Hawaiian Islands Packing Co., thereby increasing its interest in that important territory.

TABLE I—ASSET VALUE.

	Net Assets After Deducting Liabilities.	Asset Value of Preferred Per Share	Asset Value of Common Per Share
1917	$21,280,610	$255	$38
1918	25,629,480	311	52
1919	27,358,313	333	56

These plants are of various types of construction, including wood, brick and concrete. They occupy a land area of 64 acres, have a floor space of 3,000,000 square feet, and employ 20,000 persons. The properties also include four ranches aggregating almost 6,000 acres.

It will, therefore, be seen that, although comparatively unnoticed, we have here an organization, including all phases of the industry, from the growing of the fruit and vegetables, the breeding and hatching of the salmon, the canning of the product, and the transportation and marketing thereof. At no stage of its operations is the company dependent upon outside assistance. It has never had a strike. Its employees are loyal and well satisfied, and indications point to the presumption that the industrial unrest and the uncertainty so prevalent in

this and other countries will not affect it.

The fruit crops in California this year are the greatest in the history of the State. Weather conditions have been all that could be desired for fruit, and there has been good quality growth with no premature ripening. Peaches are more than 100 per cent. crop against 73 per cent. last year, promising 450,000 tons; prunes are over 100 per cent. and the apricot crop promises 165,000 tons, the largest ever grown in the State. Apples will be a million bushels more than last year, and other crops are running at the same excellent rate.

Financial Condition

A survey of the business and financial affairs of this company will show a most healthy and satisfactory condition. The volume of business for the current year has been estimated at approximately $75,000,000. In this connection it may be interesting to note that the demand for the company's product was so great that its entire estimated output was sold long in advance; and, inasmuch as at the time of sale it was impossible for the company to fix prices for its product, the sales were made with the understanding that the prices should be the opening prices announced by the company, whatever those prices might be determined to be. The prices have now been fixed, showing at the same time a good profit to the corporation and reasonable prices to the consumer. No circumstance could more forcibly indicate the high regard in which the company's product is held, nor the reliance which its customers place upon its fairness and integrity.

By virtue of its reputation and standing, the commercial paper of the company is eagerly sought by the banks and it receives the benefit of interest rates considerably lower than those paid by other large borrowers.

There is authorized $10,000,000 of 7 per cent. Cumulative Preferred Stock of the par value of $100 per share, of which $8,206,200 was outstanding on February 28, 1919. The authorized issue of Common Stock consists of 500,000 shares of no par value, of which 338,917 shares are outstanding. There is no funded debt.

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Seining Chinook Salmon in the Columbia River

Having thus considered the company's affairs, let us glance at a few figures. Table I will give an idea of the asset situation of the company and the manner in which it has grown.

No Goodwill, Patents, Etc.

Reference to the company's balance sheet will show that in these assets, not one cent is included for patents, trade marks, trade names or good will, which might justly be capitalized at a large amount. The brands of the company are known all over the world. Among these brands is "Del Monte," which is everywhere recognized as a symbol for the highest quality in fruits and vegetables. "Gold Bar," "Sun Kist" and "Glass Jar" are, perhaps, equally well known, and the "Argo" brand of canned salmon is said to command a larger sale than any other known brand.

But assets, while indicating equities behind securities, do not alone (and without other factors) necessarily make for earning power, which is measured to a

great extent by ***current and working assets,*** rather than by fixed or total assets. On this point let us examine Table II.

TABLE II—WORKING CAPITAL.

	Current and Working Assets	Current Liabilities	Net Current and Working Assets
1917	$6,522,444	$1,247,900	$5,274,543
1918	14,889,222	6,461,760	8,461,760
1919	15,335,291	4,184,025	11,151,265

The current and working assets are sufficient to pay off the entire preferred stock issue and leave over $35 per share on the common; they consist of inventories, comparatively small advances to growers, cash, Liberty Bonds and receivables. It is a notable fact that the current liabilities for 1919 decreased greatly as compared with 1918, while the current assets measurably increased. Of the $15,335,291.31 working capital in 1919, the sum of $3,073,950 represents Liberty Bonds and $1,415,245.42 represents cash. Truly a remarkable picture.

What then, is the tangible figure of earnings as a result of this situation? This is graphically portrayed by Table III.

TABLE III—EARNINGS.

Years Ended Feb. 28	Net Income After All Charges	Approx. Earnings on Preferred Per Share	Approx. Earnings on Common Per Share
1917	**$3,754,841	$44	$10
1918	6,147,941	73	16
1919	†3,689,279	44	9

****Of this sum, $2,668,319 is applicable to capital account, being accrued profits at the date of acquisition of subsidiaries, and $1,086,522 is carried as profit; the full sum of $3,754,841, however, was the amount that would have been earned had the subsidiaries been owned for the entire year, and is the fair measure of the company's earning capacity for that year.**

†After provision (among other things) of $2,000,000 for Federal Taxes.

It will therefore be seen that for the past three years $35 per share has been earned upon the common stock, which now pays dividends at the rate of $4 per share per annum.

In order to complete the story, the following analysis of the surplus account will prove interesting reading:

1917	1918	1919
$975,433	$5,705,145	$7,467,858

Position of Preferred

This brings us to the investment position of the preferred stock. It is entitled to quarterly dividends at the rate of 7 per cent. each year; it has priority as to assets to its full par value, plus accrued dividends, and is subject to redemption in whole or in part at 115 per cent. and accrued dividends, on not less than 60 days' notice. A sinking fund automatically retires 3 per cent. of the preferred stock annually at 115. It is convertible at the option of the holder at any time prior to January 1, 1932, into common stock at the rate of one and one-half shares of common stock for one share of preferred.

Such conversion privileges have in the past proven of tremendous value in the case of other corporations. For instance, the General Asphalt Co. has an issue of preferred stock convertible into common stock at the same ratio as the stock we have under consideration—that is to say, one and one-half shares of common for one share of preferred. The Asphalt preferred pays only a 5 per cent. dividend. . When the Asphalt common stock sold at 60 or below, the preferred sold upon its investment basis, but when the company came actively to the attention of investors, the common stock rose until, within the past few weeks, it has sold at $80 per share (although paying no dividends), having been considerably higher within the past few months. Concurrently with this rise in the common stock, the Asphalt preferred rose in price and at the same time sold at $120 per share, having also been much higher within the past few months. The value of the conversion privilege is, therefore, readily apparent.

TABLE IV—COMPARISON WITH OTHER PREFERREDS.

Security	Selling to Yield Approx.
American Agricultural 6% Pfd.	6%
American Car & Foundry 7% Pfd.	6%
American Sugar Refining 7% Pfd.	6%
U. S. Steel 7% Pfd.	6%
California Packing 7% Pfd.	6%

Due to the fact that there is no funded debt, from an investment standpoint, the California Packing preferred may almost be said to occupy the position of a first lien or charge upon the Company, and may be regarded as being at least as safe as many a bond issue.

The comparison in Table IV will show that the present prices for the Convertible Preferred Stock of this Company have not discounted its earnings and business or the value of the conversion privilege. Of the preferred stocks listed in the table, none has any conversion privilege except California Packing.

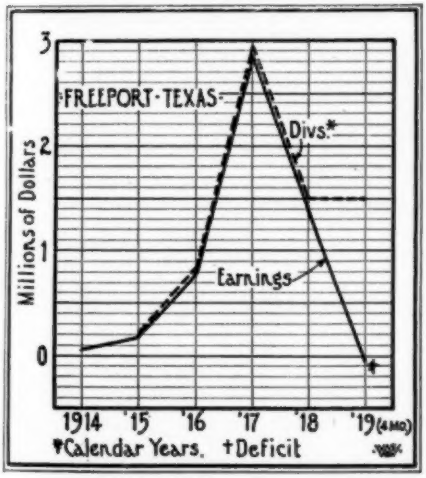
Freeport Texas Co. Expects Prosperity

With Wartime Demand for Sulphur Over, Company Must Wait for European Orders to Materialize—Great Potential Values and Assets Behind Stock

By THOMAS P. ROBINSON

THE Freeport Texas Company is the holding company that controls the Freeport Sulphur Company, which is one of the two great sulphur refining companies that turn out practically the whole of the American output—the greatest in the world.

During the war its product was in great demand, as sulphur is extensively used in the manufacture of explosives. It is the primary material in the manufacture of sulphuric acid by certain processes, and it has been said that the material civilization of any country can best be measured by the



amount of sulphuric acid that it uses, as this substance enters, at one stage or another, into the manufacture of nearly every chemical in common use. Other important uses of sulphur are in the preparation of fertilizers and of certain dyes.

During the war the pressure of military demands forced the Freeport company to speed up production to the limit, and to turn out record quantities of the yellow mineral. A slowing-up in the demand came, however, even before the armistice, back in August, 1918, and the actual cessation of hostilities found the company with a largely increased equipment, huge reserve piles of mined sulphur, at some times representing fifteen months' work, a large above-ground supply of sulphur and very little of a commercial demand. The explosives demand was over, fertilizers were in the same position as sulphur, as far as large supply and slack demand were concerned, and the dye industry had not, and in fact, has not as yet, shown itself capable of absorbing large quantities of the company's product. Hence there was a period of depression for the company which has only recently shown signs of lifting. Italian information sources declare there is no truth in the rumor that the company has been exporting sulphur to former producers in Sicily.

Another disturbing factor which has only lately been eliminated was the pending litigation with the Union Sulphur Company over the patent rights to the hot-water process which the company uses in the extraction of its sulphur. On May 5, 1919, the United States Supreme Court declared it would not review the unanimous decision of the United States Circuit Court of Appeals in favor of the Freeport Texas Company as to these patent rights, thus definitely disposing of this threatening possibility. Because of uncertainty as to the outcome of this litigation the subsidiary company had been postponing the payment of earned dividends to the holding company, causing the latter to show nominal deficits since 1917. These back dividends, it is highly probable, will be paid to the parent concern this year and will cause an unusually favorable income showing.

Financing

In its application for listing on the New York Stock Exchange, which was approved in June of this year, the company stated that its capitalization consisted of 500,000 shares of no par value, with no funded indebtedness. These shares were carried on the books at \$7, which corresponds to the price assigned them in 1917, when the 35,000 shares of the old stock of \$100 par value were exchanged for the present

issue at one share of the old stock for 14 2-7 shares of the new.

The company holds all the outstanding and authorized stocks of the Freeport Sulphur Company, the Freeport Terminal Company, the Freeport Town Site Company, the Freeport Sulphur Transportation Company and two Freeport public utilities companies. Of these, by far the most important is the first named, which owns 8,677 acres of sulphur-bearing land near Freeport, Texas. The sulphur operations of the company are conducted by running hot water in pipes to the sulphur deposits, usually about 900 feet underground, forcing the melted sulphur up to the ground and through pipes to storage bins, where it hardens into great blocks of 100,000 pounds each. When needed, these are blasted open and the sulphur is loaded into railroad cars. The mineral obtained by this process is from 99½ to 99¾ per cent. pure.

The boilers needed for the hot-water supply use oil as fuel, and are supplied by the company's vessels with fuel oil from the Tampico wells which the company bought in June from the Pan-American Petroleum Company. All drilling equipment, machine shops, warehouses, railroad tracks, river dredges and terminal facilities which the company uses are owned by it, and in addition, its power plants supply the city of Freeport with electricity.

Earnings

As will be seen by the attached table, dividends paid by the holding company have been slightly in advance of declared earnings. This indicates that the subsidaries were holding back payments of dividends to the holding company in order to meet an adverse decision on the part of the Supreme Court, as well as to be on the safe side as to income and other taxes.

This explains also why it was not recklessness on the part of the company to keep on paying substantial dividends at the same time that it was reporting deficits. The holding company knew that it could count on the sums accumulated by the subsidiaries, and while no payment was made between May 15, 1918, and May 20, 1919, a dividend of $2 a share was declared on the latter date and $1 a share was paid on August 30.

The stock has sold as high as 64 since its listing, and is now around 47. The price does not seem to discount the present and prospective earnings of the company, in view of the accumulated holdings of its subsidiaries, its success in the litigation instituted against it, and the outlook for heavy sales abroad as soon as shipping and credit conditions shall permit of extensive exports of raw materials to the foreign countries that need them—consequently, it would seem that an advance marketwise is in order.

WALL STREET JOTTINGS

David Masnik has joined the firm of E. Steiner & Co., of 15 Broad St.

Irwin G. Jennings, assistant secretary of the Metropolitan Trust Company of New York for the last three years, has resigned to become business director of the Glass Containers Association of America) recently organized by manufacturers of glass and allied lines in the United States and Canada.

Henry C. Stevens, assistant cashier of the National Bank of Commerce, and George W. Curtis of its foreign department have sailed to spend several months studying financial and economic conditions in Central Europe.

Daniel E. Woodhull has been elected president of the American Bank Note Company to fill the vacancy caused by the death of Warren L. Green. Alexander C. Cary was chosen first vice-president to succeed Mr. Woodhull.

Robert H. Holmes, of Moyse & Holmes, who has sold his Cotton Exchange membership, will retire from active business and leave New York soon for his plantation near Biloxi, Miss., adjoining Beauvoir, the old home of Jefferson Davis.

Chandler & Co. have announced that the Guaranty Trust Company has been appointed transfer agent for the American Ship and Commerce Corporation.

Robert C. Cairns has retired from the firm of Gwathmey & Co., and will engage in business in Liverpool.

G. S. Foster & Co. have opened a department for trading in unlisted stocks and bonds under the direction of Oscar R. Dare.

Balfour, White & Co. have opened offices in Montreal for the transaction of a general brokerage business in stocks and bonds, and will devote especial attention to unlisted Canadian securities. Their New York correspondents are Frederic H. Hatch & Co.

At a meeting of the executive committee of the Guaranty Trust Company of New York, Sanford T. Bennett was appointed an assistant secretary of the company. Mr. Bennett entered the company's service about nine years ago and recently has been in the bond department of the Fifth avenue office.

J. C. Jay, Jr., has been elected president; G. W. Mixter, vice-president, and M. E. Forbes, treasurer, of the Pierce-Arrow Motor Car Company. S. O. Fellows, as controller, will assist Mr. Forbes; C. Pearson has been promoted to be secretary, and J. F. Gulder has become general superintendent.

E. F. Clymer, formerly with Bonbright & Co., Inc., has become associated with Chandler & Co., Inc., and will be identified with the administrative department of that organization.

The New York Cotton Exchange membership of Robert H. Holmes, of Moyse & Holmes, has been purchased by George B. Post, of Post & Flagg, for $24,500, compared with the last previous sale of $24,000. This sale establishes a new high record for Cotton Exchange seats.

George B. Robinson, formerly manager of the investment department in the Chicago office of George H. Burr & Co., has come to New York to open a security buying department for the same firm. Charles L. Trumbull, formerly with Halsey, Stuart & Co., Chicago, is now manager of the investment department in the Chicago office of George H. Burr & Co.

Current Stock Offerings

THE salient facts concerning current stock offerings. No opinion or rating of any kind is attempted, and the purpose is purely to keep the reader informed on the more important issues.

THE COCA-COLA COMPANY. A Delaware corporation formed to acquire the assets, formula, good-will and trade-marks of The Coca-Cola Co. of Georgia. Business started in 1886. Demand for this drink has exceeded the annual production during each of the past 25 years. Its consumption greater than that for any other soft drink in the world. Sales have been showing good expansion for a number of years. Earnings for first seven months of current year were approximately $5,250,000 net before Federal taxes, and based on the 1919 rates of taxation and proposed invested capital this should figure up to about $6.53 a share of common. Capitalization of new company is to consist of $10,000,000 non-voting 7% cum. preferred and 500,000 shares of common, with no par value, which are to be held in trust. Upon completion of new financing there will be no funded debt. Voting trust certificates offered at $40 a share.

DURHAM (N. C.) HOSIERY MILLS 7% CUM. PREF. Company owns 9 different plants located throughout North Carolina. Number of spindles in operation, 67,000. Mills employ about 3,500 hands and have a daily output of 200,000 pairs of varied mercerized hosiery. Proceeds of this issue to be used to provide additional working capital and funds for the construction of additional plants which will bring the daily output up to 300,000 pairs of hosiery. Dividend requirements earned with very wide margin and issue protected by large asset values. Authorized capitalization upon completion of present financing will consist of $5,000,000 7% cum. preferred, $1,250,000 class "A" common, par $100, and $3,260,000 class "B" common, par $50. Outstanding, $3,000,000 preferred, $1,250,000 common class "A" and $3,252,875 common class "B." Annual cumulative sinking fund of 3% of largest amount of preferred outstanding beginning with July 1, 1920, provided for to purchase or redeem preferred at not over 110. Offered to the amount of $3,000,000 at 98 to net 7.15%.

NATIONAL MOTOR BUS CORPORATION. This company owns the entire capital stock of Chicago Motor Bus Co., successfully operating 50 double-deck buses on the North Side of Chicago. Proceeds of issue to be used to increase number of buses to 130, install a new service on the South Side and give Chicago a thoroughly modern and satisfactory bus system. Arrangements are under way to establish motor bus systems in St. Louis and Newark, connecting the business with residential sections. Plans are also under consideration to extend system to other cities. Prospects for large and prosperous development of motor bus systems stated to be very favorable. Company expects to have in operation a minimum of 250 buses in three cities as soon as deliveries can be obtained. Earnings per bus estimated at $9,300 annually and total annual earnings at $2,325,000. Capitalization authorized, $25,000,000; par value, $10. Outstanding, $7,500,000. Offered at $7.50 a share.

NATIONAL TEA 7% CUM. PREF. Company operates a chain of 130 retail grocery stores and 111 wagon routes retailing staple and fancy groceries. Business has been in successful operation since 1899, with constantly icreasing sales. Sales are now running at rate of over $12,000,000 a year. Net earnings in six years ended Dec. 31, 1918, averaged over 3 times dividend requirements, and were earned over 5 times in the six months ended June 30, 1919. Net tangible assets are over $250 a share of preferred and net quick assets, $150. Capitalization authorized, $1,500,000 7% cum. preferred and 20,000 shares of common with no par value. Outstanding, $1,000,000 preferred and 20,000 shares of common. Annual sinking fund of 5% of largest amount of preferred outstanding for redemption of issue at 110. No funded debt can be created without consent of 75% of preferred stock. Management of company remains unchanged. Offered to amount of $1,000,000 at 97½ to net 7.20%.

THE PROCTER & GAMBLE COMPANY % CUM. PREF. Company and its subsidiaries are today the largest producers in the U. S. of soaps, glycerine and foodstuffs manufactured from vegetable fats, such as cottonseed and cocoanut oils. Its best known products are Ivory Soap and Crisco. Business has been showing good development for more than 80 years. Purpose of this issue is to provide additional working capital for plants under construction and contemplated. Net income after interest and other prior claims for the past seven fiscal years have averaged 10 times dividend requirements on this issue, and for the past three years, 13 times. Upon completion of present financing, net quick assets will be $525 a share for the new preferred and net tangible assets, $666. Authorized capitalization upon completion of present financing, $22,500,000 serial gold notes, $2,250,000 8% preferred, $45,750,000 6% preferred (this issue) and $24,6[illegible],000 common. Outstanding $22,500,000 serial notes, $2,250,000 8% preferred, $9,866,100 6% preferred and $19,732,111 common. Offered at 100 to net 6%.

THE VANADIUM COMPANY OF AMERICA. Formed with a reported capitalization of 280,000 shares with no par value to take over the control of the American Vanadium Company organized in 1906. Control taken over by Allan A. Ryan, with whom, it is understood, Mr. Charles M. Schwab, Mr. J. Leonard Replogle, General Du Pont and a number of other prominent interests are associated. Mr. Replogle, president of the old property, will, according to reports, head the new company. The new company will control about 95% of the world's entire output of vanadium. The chief use of this metal is to increase the strength and resisting power of steel. The automobile industry is the largest user of vanadium, and this looks like a move by the automobile interests to assure themselves of an ample supply. Capitalization of the old company consisted of $700,000 with par value of stock $100. Large dividends were paid on stock for years. Based on amount stated to be paid for control, asset value per share of the new stock figures up to about $250 a share in estimation of the management. Stock stated to have been underwritten by interests close to the management at $37.50 a share.

THE WEST INDIA SUGAR FINANCE % CUM. PREF. Business of corporation consists of financing sugar companies in the West Indies by advances secured by mortgages, liens on growing crops of sugar cane and selling the sugar produced. The management of the company is in the hands of interests closely identified with Messrs. B. H. Howell, Son & Co., which firm, or its predecessors, have been successfully engaged in the sugar business for over 60 years. Dividend requirements are earned with very wide margin. Equities available per share of preferred after taking care of bonds amount to about $218. The proceeds from this issue will leave the company free of floating indebtedness other than accepted drafts against sugar in warehouses, and increases the company's working capital to more than $5,000,000. Offered to the amount of $3,500,000 at 100 to net 8%.

Trade Tendencies

As Seen by Our Trade Observer

THE average investor has neither the time nor the opportunity to follow developments in the various industries, although developments at times are of vital importance in the consideration of the long range prospects for securities. This department will summarize and comment upon the tendencies in the more important trades as expressed in the authoritative trade publications and by recognized leaders in the various industries. As the general tendency in a given trade is but one of the many factors affecting the price of securities representing that industry, the reader should not regard these Trade Tendencies alone as the basis for investment commitments, but merely as one of many factors to be considered before arriving at a conclusion.—EDITOR.

Steel

Strike Fear Wanes

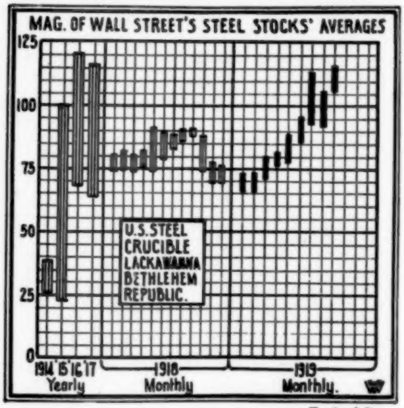
While there is no definite assurance that the threat of a strike in the steel industry which caused such disturbance some weeks ago will not be carried out, a feeling of confidence has taken the place of the former nervousness. Heavy orders that have been delayed because of uncertainty as to the labor situation have been coming in recently.

The more hopeful attitude toward the labor situation is due to the belief of steel men on investigation that the workers will not be willing to strike, particularly not the skilled or semi-skilled ones, who are for the most part American. As a straw showing which way the wind blows, some attach importance to the news item that many mills in the Pittsburg district were kept operating on Labor Day. More fundamental considerations making for greater optimism in regard to labor are the report of the Cost of Living Committee of the New York State Federation of Labor, recommending the cessation of all strikes either in existence or impending, and the stimulation of all workers toward greater unit production though this committee was later repudiated by the State organization; and also the President's offer of a conference between representatives of capital and of labor at which they are to discuss their joint problems.

While August's steel output is expected to be very nearly equal to that of July, it is said that a much better showing would have been made if it had not been for a decided shortage of cars. This transportation difficulty is expected to become more serious later in the year, when the roads will be taxed to the utmost in moving the large crops and the seasonal coal distribution.

The August production of pig iron was most satisfactory, being an increase of close to 320,000 tons over July, which was about the figure of the July increase over June. Up to date this activity seems to be increasing, as more furnaces are being blown in. At the present rate the annual production should be only 11% behind the extraordinary output of 1918, which was made necessary by war-time needs.

The buying is nearly all for current consumption, although there is a decided tendency on the part of consumers to try to book orders as far ahead as the producers will permit them to. Recent labor uncertainties have added to the determination of steel makers not to sell for any long period ahead, lest they find themselves hung up with previous contracts below the price ruling at the time of delivery. This situation existed during the early part of this year, it is said, and was the reason why many companies which were operating at a fair percentage of capacity did not make much money.



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Most of the mills, however, are stocked up with orders for two months or more, and one of the larger independents has announced its withdrawal from new business. It seems to be one thing, however, to get the orders and execute them, and another to get them to their destination, and transportation troubles have forced many mills to slow down even when orders were heavy because of the difficulty of moving both raw material and finished product.

Uneven Activity

Probably the most active part of the industry is the sheet rolling, which is operating at very close to 100% of capacity. Tin plate

is also extremely active, largely because of orders from the canning industry of the far West based on the abnormal fruit and other crops and unusually large salmon catch.

In spite of the long-postponed railroad orders, the equipment companies are doing quite a large volume of business, much of it for foreign demand. Spain and Japan continue to be among the heavy buyers of this class, and South American purchases are also fairly heavy.

Because of the activity of the oil industry, pipe manufacturers are sold up almost until December for the most part. Wire makers have, in nearly all cases, withdrawn from the market because of the great pressure of outstanding business. It is to be remembered that the first price advance in the steel industry came in wire because of the heavy demand.

Plates and structural steel are the most inactive lines in the industry, as foreign orders have not been coming in freely of late, and producers have been compelled to offer moderate price concessions to get business. What orders have come in have been for small tonnages, except for one big order from a steel company in India which is devoting all its capacity to steel rails. Belgian competition, which was formerly of some importance, has been resumed, but is not yet at a point where it is to be regarded as menacing the export position of American steel makers. As for Belgian imports of steel, particularly as locomotives and cars, the demand continues to be high, but it is said that there is little chance of the inquiries materializing into orders as long as Belgium insists on long-term credits as a condition of sale.

This same trouble is being found in many negotiations for sales to Europe and the export trade in steel products, while large and expanding, has so far been practically confined to the non-European world, except for such corporations as could finance out of their own resources their long-credit sales.

Price changes have not been numerous or general, but there have been enough of them to indicate the strength of the industry. Notable have been the advances in cast iron pipe, the dropping of the freight charge differential on Southern pig iron, the rise in rail carbon bars, and the premium now being put on sheet bars, which reflects the great demand for sheets.

The weakest spot in the industry at the present time is the scrap market, where consumers seem inclined to lie low, and material reductions, sometimes as much as $1 or $2 a ton, have been found necessary by dealers in order to do business. Some dealers have even withdrawn from the market entirely pending the establishment of better conditions.

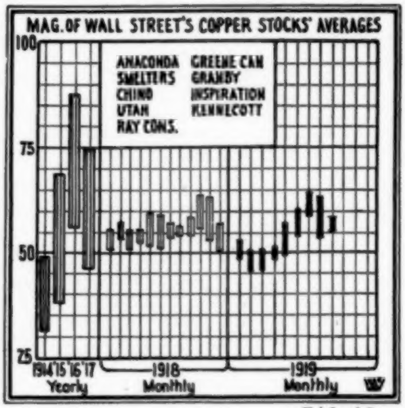
The strength of the industry is especially surprising in view of the absence from the market of the railroads, formerly among the most considerable of the customers of the steel industry. In view of this it is anticipated that the re-entry of the railroads as steel purchasers will mean an actual congestion of orders, with the industry as a whole working up to full capacity.

Copper

The Potential Demand

The steadying factor in the copper market of the last few weeks has been the great potential demand which is known to exist, but which will have to wait until general business conditions become more stable before it enters the market. For this reason the decline in copper activity of which some speculators took advantage to get rid of their stocks at prices below the prevailing ones failed to cause a general decline in the quotations of leading producers.

The principal element in this unsatisfied demand is the European need of copper to resume production, a need intensified by the deprivation of imports which has prevailed since 1914. The great difficulty here is the disturbed state of foreign exchange, and the



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heavy handicap which the premium on the dollar puts upon the foreign consumer of copper. Particularly is this true of Germany, which needs our copper the most. The mark has so depreciated in exchange that to buy our copper German manufacturers would have to pay tremendous prices at prevailing exchange rates, which would either cut heavily into their profits or force them to charge prices so high that their sales would be extremely restricted.

With the formulation and adoption of some plan for the financing of our exports, and the return of water-power through the medium of electricity to the favored place which it occupied in manufacturing before cheap coal drove it out, foreign demand for copper may be expected to materialize into heavy orders.

A similar substitution of electric power for steam on American railroads, which has been going on steadily under the pressure of rising coal costs, means a larger domestic demand for copper. To this must be added the increasing copper purchases of the public utilities

which have been forced to cut expenses down to the bone because of stationary rates and rising costs hitherto, but are now receiving more generous treatment all over the country in the form of higher fares and rates. These companies have large maintenance deficits to make up, particularly the telephone and telegraph companies, the tractions, and of course the electric current concerns.

The building boom has also helped maintain a steady market for copper, and the demand from this source may be expected to keep on for some time, until the construction shortage is relieved substantially.

Stagnation Probably Over

The volume of inquiries coming in from domestic consumers is being taken by copper men to indicate that the stagnation which has prevailed since the first week of August is about over, and that a resumption of the active buying of June and July may be expected. To some extent the shortage was caused by this very buying, as many large consumers, realizing that copper at 16 cents a pound was in for a big adavnce, "did their Christmas shopping early" and started copper prices on their upward trend. In doing this they bought such heavy stocks as to remove themselves from the market for a time, but now find that the activity in the copper industries has cleaned out their supplies, and now they have to go into the market again for fresh stocks.

The leading producers are standing pat on the older prices of 23½ to 24 cents a pound, and are refusing to make any commitments for delivering more than a month or so ahead, indicating their belief that prices may advance still further, perhaps to the 30-cent level predicted by some observers. Copper production appears to have been cut again to slightly lower than the July levels, the producers preferring to wait until the large surplus stocks are exhausted rather than to use up their ore reserves now and sell the metal at present prices which may well be surpassed in a few months.

The speculative element appears to have been sold out during the recent dull period in the copper market, and resales are not of much importance any more. The principal element in these transactions seems to have been unwillingness to carry the metal any longer with the storage and interest charges involved. With the improvement in the labor situation in the copper industries and the lifting of the freight embargo on the New York, New Haven and Hartford, copper manufactures have boomed in New England, and many mills, particularly those making wire, sheet and brass goods, are working at close to capacity. Copper therefore appears to be in for a resumption of the boom which was interrupted by the dullness of the greater part of August.

Coal

Car Shortage Admitted

Director-General Hines of the Railroad Administration has admitted in a report to the Senate that a car shortage will make its appearance this winter if we have the normal coal consumption of 500,000,000 tons. Transportation has been one of the great troubles of coal operators all through this year, the statement being made that at one time 450,000 open-top or "coal" cars were standing idle on the tracks, unable to be repaired because of the Director-General's restrictions as to the hours and man-shifts available for repairing railroad cars.

In his report to the Senate Mr. Hines declared that the main cause of the expected transportation difficulties was the refusal of the consuming public to buy its stocks of coal earlier in the year, as recommended by the National Coal Association and Dr. Garfield. The car shortage will be aggravated, it is expected, because of the large fall and winter traffic in grain and other crops and in manufactured goods going out to the farm districts.

As a result of the persistent warnings of the Coal Association and the Hines admission, buying has been rather heavy in the last few weeks, but coal operators say that it has come too late to save the situation. The main trouble centers in the bituminous industry, where orders have been delayed because of the hope of declining prices, resulting in smaller production on the part of the miners, who in some cases ran the mines only three or four days a week. They declare that to satisfy the normal demand they will have to mine 11,000,000 tons of soft coal a week instead of the close to 10,000,000 tons a week rate now prevailing, which is about normal, and is enough to tax heavily the transportation facilities of the country.

The domestic consumer, it may be said, has little to worry about. The production of domestic sizes of hard coal has been good and deliveries rapid, although in preparation for anticipated transportation difficulties coal operators have had to install a system of allotments whereby those consumers who were least accessible were served first, the larger towns and those with good railroad connections being held for the last so as to equalize the distribution.

The steam sizes of anthracite are being produced in larger quantities than the market seems able to absorb at present. The same is true to a large extent of the steam sizes of bituminous, which in many cases have had to be stocked by the operator for lack of any effective demand to take them away.

What complicated the whole situation and made things even harder for the operator was the railway shopmen's strike interlude, which caused heavy accumulations both at the mines and at coal yards in some coast cities. The latter were not so unfortunate, however, as there has been a steady demand for coal for bunkering from ships coming to this country, who prefer to receive their supplies of bunker coal here rather than abroad because of its lower price and speedier bunkering.

The Labor Situation

Many coal men profess to be greatly worried over the labor outlook, and it is true that there has been a good deal of agitation recently in the coal trade for shorter hours and higher wages. In Indiana and in Pennsylvania demands have been formulated for a thirty-hour week and for increases in pay ranging from 25 to 60 per cent.

It must be remembered, on the other hand, that no wage increases have been made while the price of certain varieties of coal has been going up, in accordance with a sliding scale announced last spring, which provides for a fifty-cent total rise, then stationary prices till April, at which time another advance may be made.

The operators claim that their overhead expenses have greatly increased relatively, even though the mines have been kept running only three or four days a week, and that prices have actually fallen since the dissolution of the Fuel Administration. They claim that their margin of profits is inordinately low at the present time, and should it be reduced further, many high-cost producers would be forced to close down, thus decreasing the supply of coal and correspondingly forcing its price up, even above the increased production cost. The outlook is therefore for advancing prices in soft coal, though not in anthracite, if anything should come of the labor agitation in the coal industry.

Railroads

Confused Counsels

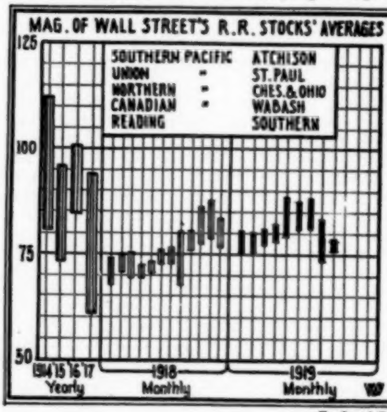
The flood of advice, proposals, and plans for the solution of the railroad problem continues to roll merrily on, while on the railroads themselves events move independently of Congress. The significant fact of the last few weeks has been the determination of the Administration to take a stand in opposition to the demands of the railroad workers, although it has tempered its position by the proposal for a meeting of representatives of capital and labor in October, the President's offer of a wage increase of four cents an hour, and the promises made to the workers that it would do all in its power to bring down the cost of living.

The strike threat has lost a good deal of its edge since many of the striking shopmen have gone back to work and the Director-General has announced that he will keep the trains running with all the force behind the Government. The brotherhood leaders, too, even in submitting to the workers a referendum on a strike vote, advised caution and patience pending the outcome of the Administration's efforts to bring down commodity prices.

Both committees of Congress which have been working on the railroad problem have brought in their reports, and on neither of them does the Plumb plan appear to have made a very deep impression. The Cummins bill, presented by the Senate Committee, has as its principal provisions: the abolition of railroad strikes, the determination of railroad revenues to be left to the I.C.C., representation of the men on the managing boards, with equal share in determining their wages and working conditions, the funding of the railroad debt by means of five-year bonds, and splitting of excess profits above a fair return with a railway transportation board to be created.

The principal objection leveled at the bill so far has been that it would penalize the "strong" or efficient road for the benefit of the "weak" road, and some railroad executives have expressed their disapproval of the feature which calls for a division of profits with the government board.

The idea of a Federal transportation board has been making great headway of late, and has appeared in many of the new proposals which have been laid before Congress. Another common feature of these plans has been the unification of weak and strong lines into a number of systems, each enjoying a regional



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monopoly. Limitation of the percentage of net profits has also been favored by many, and also Federal regulation of the issue of new railroad securities.

At the hearings of the House Committee the difference between the views of the bodies representing the railway investors, summarized in the Warfield plan, and the executives, headed by Judge Lovett, were made clear, particularly as to the limitation of net profits to 6% under the Warfield plan, to which Judge Lovett took exception. At the hearings also Howard Elliott, president of the Northern Pacific, declared that a 25% rate increase would be necessary immediately to fill the operating needs of the railroads, particularly with the wage increases now in sight.

Railroad Stock Holdings

In the meantime the number of people and institutions holding railroad securities for investment has been steadily increasing, indicating that the people at large expect a satisfactory solution of the railroad tangle after

all. Figures show that the number of stockholders in railroads operating 96.6% of the mileage of the United States had increased from 600,671 on Jan. 1, 1915, to 647,689 on Jan. 1, 1918. Statistics for the Pennsylvania RR. show that the number of stockholders at the present time is the greatest on record, 112,216 being on the Company's books on Aug. 1, an increase of 8,033 over the number listed a year ago at this time.

That the definitive settlement of the railroad question is expected to hold over until the next Congress is shown by the efforts of the Plumb plan League to create a body of public opinion favorable to their plan which would act through the medium of Congressmen elected next year. The consensus of opinion, however, is that the present Congress will be compelled to find some solution because of the uncertainty in all lines of business caused by the present conditions of suspense as to the railroads.

Leather

Why High Prices?

One of the most spectacular individual items in the great mass of price advances which have gone to make up the "high cost of living" has been the rise in the cost of leather in all its stages, particularly shoes. The most obvious explanation is that of profiteering, which is the theory favored by the report of the Federal Trade Commission on the leather industry. One sentence summarizes the commission's findings: "Leather manufacturers, shoe manufacturers, and retail shoe merchants all made unprecedented profits," which might be still further condensed into one word—"Profiteering."

A closer analysis of the situation, however, shows that the prevailing factors have been decreasing imports of the raw materials and increasing exports, particularly in the finished products. As to the first point, leather men state that the United States normally has to import one-half of the leather it uses. The domestic supply has slightly increased, but to counterbalance this official statistics compiled by the "Shoe and Leather Reporter" show that imports have fallen from 20,359,935 pieces, worth $26,530,993, in 1913, to 975,942 pieces, valued at $4,174,541, in 1918. Hence at the raw materials end of the leather industry we have a striking shortage.

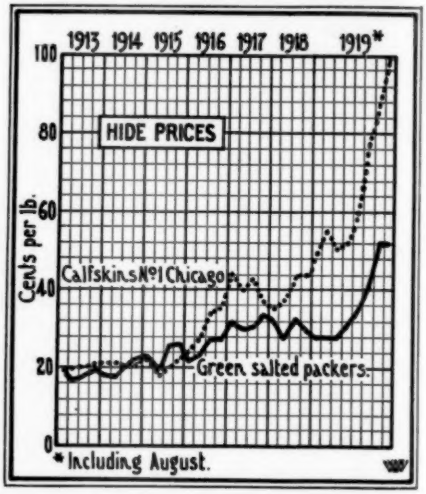
Coming to consider exports from the United States, we find that for the first seven months of 1919, leather and manufactured goods were exported from the United States to the value of $142,992,570, as compared with $92,320,272 for the corresponding period last year. These records were made in spite of the export embargoes laid by England, France and Italy shortly after the armistice, only recently relaxed and then only partially.

At the present time the Department of Import Restrictions at London is being petitioned by the American Chamber of Commerce and the British Boot and Shoe Group to increase the permitted imports of shoes into Great Britain from the present allotment of 25% of the 1913 imports of these products as a maximum. This shows that the prices of leather manufactures are so high abroad that importers are anxious to buy American shoes even at prices which we consider exorbitant here.

This, we believe, explains the situation. As in many other commodities, there is a world shortage of leather, more intense in Europe than in this country. Prices are therefore relatively higher abroad than here, and the effect of an unrestricted export trade is to tend to equalize prices, bringing up those of this country and reducing those abroad. Export restrictions on leather would prevent prices from advancing further in the same way that similar measures in the case of sugar have prevented advances in the price of that commodity despite all the talk of shortage.

Price Agitation

The anti-profiteering talk of the last few weeks has served to squeeze a good deal of



"water" in the form of inflated profits out of the leather market. Prices have ruled easier, and there has been talk of some of the large leather warehouse stocks said to exist coming out into the market. Something has also been done by the sale of Government-owned shoes to the public at close-to-cost prices.

The charge of many shoe men that one cause of high prices is due to the public's unwillingness to buy the lower grades of shoes seems to be true to a large extent, but it is also true that most of the available supply of these qualities of shoes has already been removed by the large export demand for the lower grades which has absorbed them all and is now after the better grades.

Prospects now are very different from the prediction made some time ago by the National Boot and Shoe Manufacturers' Asso-

ciation, which said that prices might be expected to keep on advancing through the spring of 1920, at which time there would come the beginnings of a downward price movement in the leather industry. The outlook now is that every price advance will be rigidly scrutinized and discouraged, and that exports will be sacrificed, if need be, to cut down the present oppressive costs.

Textiles

Market Uncertain

The prevailing feature of the textile markets of all classes is uncertainty. The general impression seems to be that prices are destined to be higher in a few months, but everybody seems to hesitate to take the first step. Among the causes assigned are shortage of production in the raw materials, cotton and wool particularly, labor troubles, heavy export demand, and generally high production costs.

The latest Government report on the condition of the cotton crop, putting it at 61.4%, has had little market effect, as it has been about what was expected. The European demand has been great, and progress is being made in concluding arrangements for the financing of our exports.

The domestic market has become very dull, however, largely because of the influence of the high price agitation, although cotton was not among the commodities specifically singled out for supervision on the ground of profiteering. Gray goods have been showing a downward tendency, largely on sales of goods bought by speculators at prices much below those now prevailing.

An active demand, both domestic and foreign, however, is being reported, and it is more than probable that prices will be substantially higher by next spring for cotton goods. Anticipating an unwillingness on the part of the public to pay higher prices, some leading garment manufacturers have been advising and putting into effect a policy of curtailment of production. This action itself may be expected to stimulate a tendency toward higher prices.

Exports have been increasing, particularly to the South American countries which have not been handicapped like the European ones by exchange difficulties. The demand from this source has included all varieties of cotton, even the lower-grade ones, which have been somewhat of a problem to American producers because the domestic market has not taken kindly to them.

The much-disputed cotton carry-over of last year seems to be much less than original estimates would have it, amounting to about 4,236,533 bales, instead of the former figure of over 6,000,000. This explains to some extent the strength of the cotton goods market despite the unfavorable factors noted above.

Accordingly a shortage of cotton and cotton goods is predicted by many observers, with consequent higher prices, in spite of the temporary dullness of the present time. In the raw cotton market speculation and market fluctuations are not so extreme as they were in July, to a large extent because the future has been discounted and the crop can now be fairly accurately judged, barring of course an intensified invasion of the boll-weevil or other destructive influence.

Wool Expected to Go Up

The outlook for wool is one of higher prices, judging from the activity shown at the London wool auctions and the comments of wool men in this country. Manufacturers say that the export trade will take care of any stocks of woolen cloth that the public will refuse to buy at the higher levels which they say will prevail this fall and particularly next spring.

The different grades of wool are faring very differently, as while the finer fabrics are enjoying a good demand and an active market the lower grade stocks are moving very sluggishly. Supplies available are shown by a recent census of the wool trade taken by the Bureau of Markets of the Department of Agriculture to be fairly large, except for the better grades, in which the demand is most active. The export demand is counted upon to maintain prices in this field, too, despite the presence of larger supplies. Manufacturers are unwilling to make purchases for any length of time ahead, not knowing what the future has in store for them, and it is probable that this factor has had its influence in preventing prices to the levels predicted by the trade.

Raw silk has moved in a direction opposite to that of the other textiles, almost consistently downwards. Hand-to-mouth buying by manufacturers, production cuts because of labor demands which have been reflected in a less active market for the raw materials, and the same uncertainty as to the outcome of high-cost-of-living agitation as has affected many other industries have caused this situation. The basic demand has been very active, as the use of silk garments has widely increased of late, and it is probable that an upward movement will manifest itself in silk when the end-of-summer dullness passes over.

Dyes

Shortage to Be Relieved

That there is a shortage of vat dyes, which are the especially fast dyes used in textiles, has been stated by the National Association of Shirt Manufacturers and admitted by the Chemical Foundation, which handles the patents on German dyes taken over by the Alien Property Custodian. The latter body declares that this is the only kind of dye in which a shortage exists.

Steps have been taken to relieve the shortage by the appointment of an American to confer with the Reparations Commission of the Peace Conference, which controls the dyes surrendered by Germany in accordance with the terms of the armistice. It is expected that he will obtain the release of at least six

months' supply of the vat dyes, figured on pre-war consumption, in the first few shipments from Germany. While the dyes in question probably will not come over for another month or two, substantial relief from the present shortage is expected, as it is said that there are large stocks of imported dyes which are being held in this country in hopes of big profits which are expected to come on the market now that the foreign dyes are about to come in.

The National Association of Shirt Manufacturers makes the point in its statement that seeing as the American consumer has to pay about $3 for a shirt that used to sell at $1 he is entitled to get the best and fastest dyes available for shirtmaking. They say that while the American dye industry has been successful in making other kinds of dyes the particular ones wanted by shirtmakers are not being turned out in sufficient quantity or of sufficiently good quality, as they fade quickly.

According to plans now being worked out, dye consumers in this country will be asked to form an importing association to act as the consignee for the dyes which the American delegate to the Reparations Commission will have shipped over. This plan is being favored instead of having the War Trade Board or the Chemical Foundation receive the dyes as they come.

These shipments are not expected to interfere with the general policy of protection for the American dye industry which seems likely to be adopted, as it is conceded that American dyemakers are not yet in position to turn out the high-grade vat dyes in commercial quantities. They are expected to bring a great relief to the American aniline dye market which has been suffering from the shortage since the first week of August.

The Export Trade in Dyes

The most promising feature of the dye industry to date has been the way in which it has built up a large and growing export trade. For the past month the exporters have been the mainstay of the dye market in spite of a certain amount of price-shading which was found necessary by dealers to secure orders.

The best customers for American dyes have been the South American countries, particularly Brazil. The dye trade of that country was formerly almost entirely in the hands of Germany, but control has now passed into the hands of the United States, with a certain amount of competition from Great Britain. Eastern countries, particularly Japan, have also been heavy buyers of American dyes, and this trade may be expected to increase as the attempts of these countries to become self-sufficing in the matter of textiles bring results.

Domestic buying has been largely of a hand-to-mouth character, as there is a good deal of uncertainty while consumers are waiting for the passing of pending legislation looking toward tariff protection of such dyes as are made in America and the licensing of imports of such dyes as are not made here as yet. The current tariff law of 1916 affords some measure of protection for the dye industry, but provides that if it is not adequate to supply 60% of domestic needs by 1921 this protection will automatically lapse.

American dye manufacturers express confidence in their ability to take care of domestic and export demands and say they have no fear of German competition, especially as the latter is laboring under the handicaps of disturbed industrial conditions at home, the breaking-up of the trained groups of chemists on whom the industry rested, and the restrictions imposed by the armistice and peace treaty terms.

Sugar

Peak of "Shortage" Over

With the settling of the marine workers' strike the sugar situation at once began to improve, and refineries which had been working at from 25 to 30% of capacity are now operating full, and are completing deliveries which have been held up for a long time. Deliveries of raw sugar from Cuba have been satisfactory, and the crop now under way is said to be one of the largest ever grown in Cuba.

Crop conditions in the United States for sugar as a whole have been favorable, and a record acreage has been planted in beet sugar. Cane sugar shows a slight decrease, which is more than made up for by the great increase in beet sugar production. As a result, the United States is now the second nation in the world in the output of beet sugar, instead of fifth, as she was before the war.

World conditions indicate a decided shortage if based on normal consumption of about 5,000,000 tons, but it is apparent that consumption cannot be regarded as normal, considering the decrease in population and birth-rate caused by the war, and the steps taken by the various belligerent Governments to cut down the consumption of sugar to the minimum necessary. As a result, the estimated world shortage figures should probably be seriously discounted, if not reduced to zero.

Production may also be expected to improve in Europe with the gradual restoration of normal conditions, particularly in Czecho-Slovakia, which is expected to blossom out as a great sugar exporter.

In the United States the outstanding question is how far the restoration of the powers of the Sugar Equalization Board will go. The Board has already resumed its control over sugar exports, and also over the amount allowed to be imported at any one month from Cuba, as well as maintaining its supervision over the price differentials as between the seller of raw sugar, the refiner, the wholesaler, the retailer, and the consumer. As a result, price margins have been fixed from the 6½ cents a pound paid to the sugar grower in Cuba to the 11 cents a pound which has been declared as a fair price to be paid by the domestic consumer.

Northern States Power

Has Turned the Corner—Favorable Factors—Serves Over 200 Communities—Future Possibilities—Position of Common Stock

By MANLY RANSON

THE recent reduction in the dividend of Montana Power has called attention to the fact that even the public utilities which derive a great part of their power from nature have found it difficult to maintain the earnings of earlier years in the face of the rising cost of labor and commodities.

Particularly remarkable in contrast with Montana Power's recent decline in earnings is the fact that Northern States Power not only has held its own during the past year, but has even come back with a vengeance. The earnings for the year ending June 30, 1919, showed a remarkable improvement. The company's statement does not specify the amount reserved for depreciation, amortization, etc., but estimating this to be about the same as for the preceding year, namely about $575,000, net earnings were about $1,477,000 as compared with $1,036,915 earned in 1918, while gross earnings were $9,212,293 as compared with $8,392,664 in 1918.

It should be noted that this improvement was made in the first six months of 1919. Net earnings in July, however, were only $305,500 as compared with $315,707 in June, though gross earnings were $714,122, as compared with $695,679 in June. This decrease is not so serious, for although it represents an increase in operating ratio from about 53.4 per cent. to about 57.2 per cent., it compares very favorably with the 1918 operating ratio, which was 62.5 per cent.

Indeed, the most significant phase of these improved earnings is the decrease in the ratio of operating expenses (including taxes) to operating revenue. The yearly ratio has been as follows:

1916	40%
1917	46.5%
1918	62.5%
1918-1919	56.8%

Favorable Factors

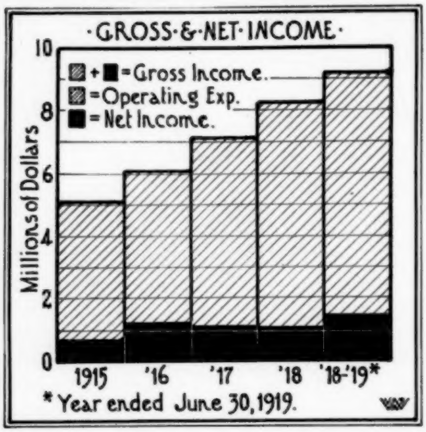
Probably the most prominent factor in making this result possible is the fact that Northern States Power is a hydro-electric company, generating a great part of its current and power from the forces of nature, and constantly increasing the ratio of its hydro-electric production of power to its steam generating capacity. In these days of advancing costs involved in labor, oil and coal, this comparative independence of labor and fuel can hardly be overestimated.

Another important factor making possible such a fine showing is the fact that Northern States Power serves a rich farming and industrial territory which maintains a rather constant and steady demand for service. This contrasts with the somewhat uncertain demand for the service of the Montana Power Company, whose recent difficulty was undoubtedly due to a great

Threshing wheat in North Dakota by means of electricity supplied by Northern States Power Company

extent to the depression in the copper industry which prevailed for about the first four or five months of this year.

The extent to which Northern States Power is developing its service is indicated by the fact that even threshing operations are conducted by the power supplied by this company. More and more manufacturers are drawing their power from central stations because the cost of production per unit is smaller for Northern States Power than for small individual companies burning coal to create power.



Future Possibilities

Northern States Power serves over a million people living in over 225 cities and towns in Minnesota, North and South Dakota, Illinois, Wisconsin and Iowa, where it owns or controls and operates electric light and power, gas, steam heat and several other public utility properties. Of these communities, 208 are served with electricity only, and about 85 per cent. of the total gross revenues are derived from the electric department, most of which comes from hydro-electric operations.

The future possibilities of this company should also be considered from the point of view of the prosperity of the American farming classes, for farming has long been considered the backbone of American life, and the territory served by this company has developed wonderfully in recent years, both agriculturally and industrially.

It is stated that Northern States Power owns or controls undeveloped water power with an estimated capacity of over 145,000 horse power, or about three and one-half times the present capacity of the developed water power.

Constant Expansion

A constant, growing demand for service, requiring new financing and construction, is often an unfavorable factor in a public utility company. The situation is entirely different, however, in the case of Northern States Power, for this company seems to be able to reduce its operating ratio, as above indicated, during possibly the most critical six months of industrial peace adjustment.

During the past few years the interest charges on the bonds have been earned on an average of two times annually, viz:

1916	2.50 times
1917	1.95 times
1918	1.90 times
1918-1919	2.07 times

The first and refunding mortgage gold 5s, due April 1, 1941, are a direct lien on practically all of the assets of the company, and yield about 6 per cent. at 87. The 6 per cent. notes, due in 1926, are not unusually attractive, but the 7 per cent. notes due in 1923, being convertible into the preferred stock at 95 or into the common stock at par, have speculative possibilities, at least with reference to the preferred stock.

With the recent improvement in earnings, the preferred stock can be considered a rapidly maturing investment. During the past few years the preferred stock has shown earnings averaging about 9 per cent. annually, the worst year having been 1918, when, however, the full 7 per cent. was earned. For the year ended June 30, 1919, the earnings on this issue were over 9 per cent.

Position of Common Stock

There is only something over $6,000,000 of the common stock outstanding, and so, of course, the percentage earned on the common stock mounts quite rapidly with any gains in net income. In the past, earnings have been rather indifferent, being only 3.22 per cent. in 1915, 5.91 per cent. in 1916, and 2.11 per cent. in 1917. In 1918 there was no surplus after paying the preferred dividend. In the twelve months ended June 30, 1919, however, earnings on the common stock amounted to 5.7 per cent. Every additional $60,000 means 1 per cent. on the common stock.

An unfavorable factor is the fact that the stocks of this company are not listed on any exchange and the common stock especially, constituting a comparatively small issue, has rather limited marketability. Nor can resumption of dividends be expected at least for the present, in view of the needs for new construction and additions in a constantly expanding business.

Switching in Interborough Securities

The 5% Bonds vs. the 7% Notes

THE following letter from the senior member of a well-known firm of Canadian engineers raises some interesting questions, not only about Interboroughs, but also in connection with the idea of "switching" in general. We, therefore, reprint it with copy of Mr. Graham's reply.

Editor of THE MAGAZINE OF WALL STREET:

On page 511 of your July 5 issue it is pointed out that *in the event of default* on the 7 per cent Interborough notes, "it is evident that the gain through the proposed exchange would be very substantial," the point being made that in the event of the holder of the 7 per cent notes realizing on the collateral behind them, namely the 5 per cent bonds, "they would cost him only 57¾, or 16¼ less than what he can now obtain for his 5 per cent bonds."

I do not see the substantial gain in the event of default you refer to. My reasoning is based on the following facts:

Five per cent bonds at present outstanding $160,585,000, worth as per current price in article 75, giving a total equity for these bonds at this price of *$120,438,750.*

For the security of the 7 per cent notes, $52,187,000 5 per cent bonds have been pledged as collateral security. These bonds, however, are not a part of the outstanding issue of $160,585,000, but are *additional bonds from the same issue not now in hands of the public.*

In the event of default on the notes there will then be outstanding of the 5 per cent bonds, $160,585,000 plus $52,187,000, making a total of $212,772,000.

Dividing the equity of the 5 per cent bonds as above, namely, $120,438,750 by the total outstanding after the assumed default, namely, $212,772,000, we find that the equity for the increased issue of the 5 per cent bonds is 57, which coincides closely with the price of 57¾ which you mention as a most favorable cost of the collateral security to the holder of the then defaulted 7 per cent notes.

I agree with Mr. Graham that a switch to the 7 per cent notes is desirable, for it would appear that the current market quotations for the notes are figured on a defaulting basis. In the event, however, of such default occurring, I fear that the proposed exchange would not give the very substantial advantage hoped for by Mr. Graham for the reason fully set forth above.

I have been very much interested in Mr. Graham's articles on "switches" in securities and have indeed profited by his B. & O. vs. C. & O. switch. The more I think of the matter, however, the more am I inclined to believe that the whole merit of switching is a *psychological* one rather than a *financial* one.

The psychological advantage which I see is that a "switch" *may overcome the inertia of an investor* and induce him to sell a security at a loss on a switching basis, which he would not sell at the same loss on a cash basis. Am I or am I not correct in this?—JUDSON F. CLARK.

— —

Your contention in regard to the exchange of Interborough 5 per cent bonds for the 7 per cent notes is apparently based on the idea that the value of the bonds to be received by the note-holders in case of default would not be larger than the present value of the notes themselves, and that, therefore, nothing would be gained by the exchange.

It appears to me that you missed the point of my recommendation. The idea is not that there is a profit to be made by purchasing the notes at 88 and then receiving 156 per cent in 5 per cent bonds. It is merely that in such a contingency the note-holder at 88 is much better protected than the bond-holder at 71. Assuming your forecast of the value of the 5 per cent bonds to be correct, the note-holder will have lost nothing, whereas the bond-holder would find his security worth 14 points less than the price at which he could have made the exchange. This would represent a clear saving of 14 points by selling the bonds at 71 and buying the notes at 88.

I was very much interested by your comment on the general theory of switching. The impression that you gather that the one issue should be sold under all circumstances and the other one purchased, regardless of the element of exchange, is due to the fact that writers are usually averse to recommending exchanges unless they are absolutely convinced of the superiority of one issue to another. The is most easily proved by showing that one is selling too high, while the other is selling too low.

That the latter is not always the case, however, might be shown by my suggestion some time ago that American Agricultural Chemical at par be exchanged for Virginia Carolina Chemical at 54. While both issues were attractive investments and both advanced subsequently, the showing of "V. C." has been very much the better.

You are absolutely correct in your idea that by suggesting a switch the inertia of an investor can be overcome much better than by merely advising him to dispose of undesirable holdings at less than cost price. The investor rarely does the latter, and this is one of the chief reasons for the heavy losses so often ultimately sustained. I trust the foregoing will answer your queries.—BENJAMIN GRAHAM.

Investors' Indicator of Public Utilities

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. A poor stock may sometimes stand up well in this table because its price is low compared with latest available earnings.

	High 1916	Low to Date	Present Div. Rate	Yield on Recent Price	Dollars Earned Per Share. 1915.	1916.	1917.	1918.	Recent Price.	Earnings Last Fisc. Year on Recent Price.	INTENDING PURCHASERS should read all notes carefully and consult "Financial News and Comment." We gladly answer all inquiries of yearly subscribers.
Ohio Cities Gas	144	31⅞	16	29.09	1.92	2.30	8.70	30.32	55	55.12	Oil developments dominant. Big equities.
Brooklyn Rapid Transit	89	18⅞	0	0.00	7.40	7.53	6.97	3.52	25	22.08	Fare increases bitterly opposed.
Am. W. W. & El., 1st pfd	...	...	7	11.70	9.57	10.18	12.96	10.73	60	17.71	Holds its own despite high cost handicap.
Rep. Ry. & Lt. com	...	...	7	11.70	2.97	3.55	5.88	—2.37	14	16.92	New Cleveland franchise plan helps.
Standard Gas & Elec., pfd	...	...	‡8	18.20	3.15	5.03	3.70	6.70	43	15.58	Going into "oil" and paying back dividends.
United Light & Ry., com	...	...	4	9.30	2.41	4.41	8.68	6.51	43	15.14	Outlook improved through rate increases.
United Ry. Inv. pfd	39¾	10⅛	0	0.00	3.06	3.54	4.46	3.38	24	14.08	Reorganization of U. R. of Frisco and improvement in Phila. Co. helps.
Western Union Telegraph	105⅛	76	7	8.10	10.19	13.59	14.40	11.64	86	13.53	Business shows constant expansion.
Cities Service, com	478	100⅜	§6	1.26	15.27	36.74	60.73	61.67	475	12.98	Oil developments still going forward.
Detroit United Railway	128⅛	80	8	7.80	15.69	23.05	14.50	12.96	102	12.70	Suffers from high labor costs.
Phila. Co., com	47¼	21½	6	17.10	4.44	5.14	6.22	4.26	35	12.16	Going into "oil." Good showing consistent.
Columbia Gas & Elec	54	25⅞	4	6.30	.76	2.31	5.87	6.40	64	10.00	High oil and natural gas prices favorable.
Montana Power, com	115	64	5	7.70	3.73	8.52	7.08	6.19	65	9.52	Dividend reduction through curtailed copper operations and drought.
North American Co	76	39	5	8.80	6.06	7.26	6.05	5.38	57	9.43	Rate increases have helped considerably.
Brooklyn Edison	131	87	8	8.00	11.66	11.88	8.81	9.28	100	9.28	Gross increasing. Net well maintained.
Laclede Gas Lt., com	104	50	0	0.00	9.24	11.21	8.58	4.53	50	9.06	Recent rate increases badly needed.
Amer. Tel. & Tel	124½	90⅝	8	7.90	9.09	9.61	9.65	9.93	101	9.83	Dividend rate uncertain. New financing coming.
So. Cal. Edison, com	89	73	7	7.90	6.79	8.61	5.05	7.55	89	8.48	San Joaquin Valley & Kern River requirements heavy.
Detroit Edison	149	98	8	7.00	13.70	14.61	10.28	9.08	115	7.89	Conservative handling of resources helps.
Mackay Co., com	91	70	6	8.00	5.28	5.36	6.35	5.87	75	7.84	Heavy investments; capitalization kept down.
Pacific Gas & Elec., com	75¼	28¾	5	7.40	10.48	9.10	5.57	5.20	68	7.64	Hydro-electric developments big. Strongly fortified working capital.
Amer. Power & Light, com	...	...	4	6.30	4.21	6.37	4.57	....	64	7.14	High operating costs a factor.
Pub. Serv. Corp., N. J	137	82	6	7.00	7.88	11.77	7.92	6.10	86	7.09	Zoning plan helps company and user.
Am. Lt. & Trac., com	...	...	†10	4.54	24.62	25.66	20.98	14.43	220	6.55	Large surplus and reserves useful during uncertainty.
Cons. Gas of N. Y	145	76½	7	7.20	9.29	8.99	7.14	5.70	96	5.93	High operating costs a severe handicap.
Pac. Tel. & Tel., com	44	17	0	0.00	0.56	1.25	1.79	2.00	38	5.26	Holding own despite handicaps.
Twin City Rapid Transit, com	90	39⅛	0	0.00	6.83	9.22	6.04	2.19	45	4.87	Federal investigation might produce increased rates.
Amer. Pub. Util., com	...	...	0	0.00	3.83	5.35	7.18	—0.62	8	0.00	Expanding business. Wissota Dam completion will help.
Comm. Pr. Ry. & Lt., com	...	...	0	0.00	7.42	8.80	5.77	—0.67	27	0.00	Earnings show upward trend.
Northern States Power, com	...	...	0	0.00	3.22	5.91	2.11	0.00	68	0.00	Aggressive expansion program a feature.
People's Gas Lt. & Coke	118	35	0	0.00	8.39	5.39	4.44	—3.55	43	0.00	Working capital diminishing through post-war burdens.
Third Ave. Ry., com	68½	12⅜	0	0.00	4.19	5.98	—10.02	—2.75	18	0.00	Drastic economies in evidence. Fare increase expected.

§ Also pays regular monthly stock dividend of 1%. ‡ Par $50. † Also pays 2½% in common stock quarterly.

Three Popular Coppers Analyzed

Excellent Position of Miami—Sidelights on Inspiration — Shattuck-Arizona Tobogganing

By ROBERT L. WHITE

THE copper situation is showing unmistakable signs of clearing up and the copper stocks are drawing increased attention from investors. Particularly those able to cash large "paper" profits in the industrials are courting the securities of the standard copper producers. In the last number of THE MAGAZINE OF WALL STREET three favorite porphyry issues were analyzed from the viewpoint of the investor; three other issues which the prospective investor in the copper stocks is likely to consider are here treated.

Miami Too Low?

The Lewisohns are the controlling interests in Miami Copper, 120,000 shares of which are owned by the General Development Company, a securities holding corporation that is a powerful factor in the copper industry. The broad experience and keen foresight of Adolph Lewisohn and the engineering skill and acknowledged ability of J. Parke Channing, respectively president and vice-president of Miami Copper, leave no doubt as to the management of the company. It is a fact, however, that Miami is seldom very active, being classed with the few really unexploited listed stocks.

Miami makes public its income account only once a year, for which reason earnings for the first half of the year are not available. A short time ago a dividend of 50 cents was paid; this was expected because Miami followed the policy of marketing its product on a declining price scale of between 14 and 15 cents a pound when the nominal quotations were 23 and 18 cents instead of piling up a surplus as most of the other producers did. However, in view of the substantial rise in the price of copper soon after this policy was adopted, it is doubtful whether it proved altogether favorable in the long run.

For the twelve months ended December 31, 1918, Miami earned $7.04 a share on the outstanding 747,114 shares as against $6.63 in 1917 and $10.39 in 1916. Dividend disbursements in the same years were $4.50, $8.75 and $5.75.

Financially, Miami is well fortified, net working capital at the end of last year amounting to $7,146,093, against $5,053,261 in 1917. This increase equalled almost $3 a share on the capital stock. The reserve for mine depletion grew from $4,160,155 in 1917 to $6,433,002 in 1918; the reserve for taxes and accidents showed an even greater increase, mounting from $716,789 in 1917 to $1,734,636 in 1918. These increases in reserves amounted to over $4 on the outstanding stock. In cash, investments and securities Miami was exceptionally strong, this item totaling over $5,755,000, or $7.70 a share.

Gain in Ore Reserves

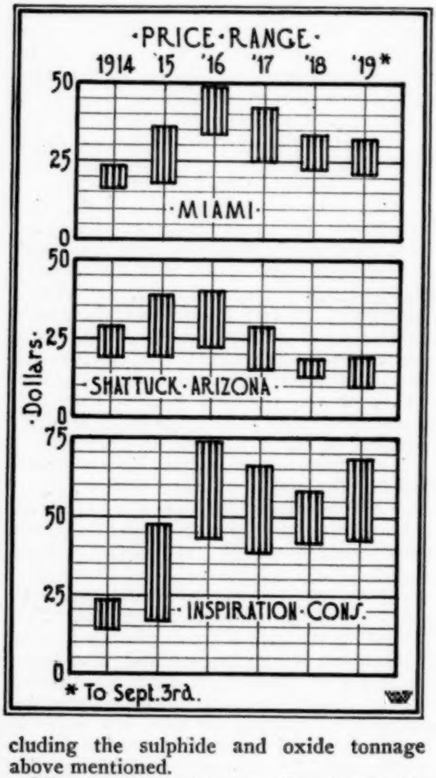
The reserve statistics indicate that the high grade ore available for extraction at the beginning of the current year amounted to 12,570,000 tons of ore with an average grade of 2.38 per cent. copper. By churn drilling on the low grade ore body which commenced to figure in the company's future several years ago, the reserves of this class were increased some 8,000,000 tons over the previous year and totaled 36,000,000 tons of an average grade by drill sampling of 1.06 copper.

The annual report contains the statement that "at the end of the year about 45 per cent. of the original high-grade reserves of the property had been extracted. Up to date, however, mining has included a very considerable proportion of the lower grade ore from the Captain ore-body, which is also high in oxidized copper content. The remaining tonnage is much cleaner in this respect, and for this reason and on account of its higher grade, a greater production of copper from the same tonnage can be looked for. During the next few years it is reasonable to expect that possibilities of profit will be demonstrated from the handling of both the oxidized and low-grade ores existing on the properties."

Production Costs

The cost of production, according to the company's report last year, amounted to 14.8 cents a pound as against 12.5 cents in 1917 and 9.5 cents in 1916. While the report merely states in passing that "included in this cost is the estimated amount to be paid for Federal Taxes and the cost of renewals and repairs," the tax item itself amounted to above 2.75 cents a pound. Excluding

for the sake of conservatism the 6,000,000 tons of sulphide and oxide ore with a copper content of 2 per cent., Miami has 54,570,000 tons with an average of 1.72 per cent. ore. At its present price of $28 a share, the market valuation of the company is $20,919,192. Therefore the market places a valuation of 43 cents on each ton of ore reserves. Deducting from this the current assets per ton of ore reserves, 17 cents, we have a net market valuation of but 21 cents for each ton of recoverable ore, excluding the sulphide and oxide tonnage above mentioned.



Miami, with a fairly long life ahead of it and a management which is aggressive as well as conservative, is now producing its copper at around 12 cents a pound and its securities are regarded with favor by investors in mining issues.

Inspiration "Overbulled?"

Inspiration Copper is a favorite with many market letter writers and has been in the public eye perhaps to a greater degree than any other stock discussed in these articles. This is unquestionably explained by its sensational rise to the rank of one of the largest coppers, although production on a large scale really began only in the summer of 1915. The company is virtually controlled by Anaconda through the latter's ownership of 250,900 shares, or more than 21 per cent. of the outstanding capital stock of Inspiration. Mr. C. Kelley, president of Inspiration, is also president of the Anaconda Copper Corporation.

Last year's earnings of $6.96 a share compare with $9.38 in 1917 and $17.45 in 1916. In spite of the fact that the company had to dip into surplus to the extent of $1,516,636 in order to pay $8 in dividends in 1918, it entered the present year in a strong financial position. Net quick assets on December 31, 1918, were equal to almost $12 a share. Another favorable item was the large copper inventory on hand, carried at 11¼ cents a pound; the sale of this copper at 20 cents would mean almost $1.75 added to this year's profits.

Thus far there appears to be nothing to offset the opinion so often voiced in brokerage circles that Inspiration is easily the most attractive of the copper stocks. We find it usually stated that the company is not only a low cost producer, but that it positively can "make" its metal much cheaper than many of the other American producers. Production statistics show that the total cost of copper derived from the ores treated last year was only 11.259 cents a pound, as against 10.439 cents in 1917, 8.675 in 1916 and 8.136 in the last six months of 1915. However, further reference to the company's annual report brings to light the fact that the stated cost was exclusive of depreciation and Federal income tax. This is of the most paramount importance, for as has been previously seen, the inclusion of these items and the reserve set aside for the extinguishment of mine development costs by Ray Consolidated, for instance, added more than 2.6 cents to the per pound cost of operations.

It must be conceded that the popular fallacy of Inspiration being by far the lowest cost producer in America does not stand analysis. Taking 1916 as a year suitable for comparison because accounting methods were more uniform we find that Inspiration's per pound cost was 8.673 cents, Utah's 8.8 cents and Chino's 8.7 cents.

With a market valuation of $73,281,954 on a price of $62 a share and ore reserves of 82,725,246 tons at the end of last year we have a market valuation of 89 cents per ton of ore reserves; current assets per ton of reserves reduce this valuation 23 cents, leaving a net market valuation of 66 cents for each ton of Inspiration's reserves. This

is a much higher valuation than is placed on the ore reserves per ton of the other standard copper stocks. One does not find the clue to the difference in the valuation in the yield of copper per ton of ore nor in the capitalization per pound of copper produced, although Inspiration produces more copper per share of capital stock than some of the others, this does not account for the difference in its valuation.

Another Viewpoint

Viewing the matter from a different angle it will be noticed that the dividend yield on Inspiration is greater than on Utah, Chino, Ray or Miami so that the consensus of opinion as expressed by the return on the present annual rate is that Inspiration's dividend is perhaps not so safe as that of many other copper securities.

It is not intended to convey by the above that Inspiration is not attractive—on the contrary, the writer believes it is. It must be remembered in fairness to Inspiration that there has been no attempt to develop its ore reserves in the last two years, present reserves being sufficient for between 16 and 17 years' production. The company has the advantage of the best of technical skill, is healthy from a financial standpoint and is well balanced.

Will Shattuck Come Back?

Compared with the other properties that have been dealt with, Shattuck-Arizona is a small property.

It is known that the better part of Shattuck's ore properties have been thoroughly explored and the larger and rich ore-bodies exhausted. In 1918 earnings were $2.14 on the 350,000 shares outstanding against $4.13 in 1917 and $8.68 in 1916; dividends disbursed in these years were $2, $5 and $4.76.

The amount of copper recovered in 1918 was the smallest in many years; the decrease in the tonnage mined, together with a gradual decline in the copper contents of the output of the mines, was responsible for the falling off of metal production during the year. In his report, the general manager, after reviewing the results of the development work for the year, goes on to declare that "throughout the remainder of the ore prospected, although small pockets of good ore have been encountered as detailed under the developments of each level, yet it is a fact that new openings made during the year did not expose any important tonnage of new commercial ore."

The Future

However, the outlook is not altogether dismal. Some encouragement is offered by the statement that "there is yet a large area of limestone geologically favorable for ore deposition, both latterally and deeper than our present workings. Every effort is being made to accomplish the development of these areas consistent with good mining practice. It is the expectation of your mine management that new ore bodies will be found when the development of unexplored areas is accomplished." Speaking for the board of directors, President Thomas Bardon declares: "Our company has been diligent in the search for additional mining properties and we hope to secure an attractive investment later on. We shall continue our efforts along this line and feel confident of success."

At $15 a share, Shattuck's 350,000 shares of capital stock are valued in the market at $5,250,000; cash and other easily convertible assets as of December 31, 1918, offset this by over 40 per cent.

The regular quarterly dividend of 25 cents a share has been declared payable October 20 to stock of record September 30. Standing against the possibilities of uncovering new ore bodies, there are quick assets of about $6 a share applicable to the capital stock. The issue is now selling at around the low of 1917 and only two points above the bottom reached this year, $13. Of course, the developments in the copper market will have their effect on this security but the news from the mines pertaining to the uncovering of additional ore bodies is more likely to be the determining influence in the price of Shattuck-Arizona.

Buying the Coppers

Many are prone to point to present prices for the standard copper stocks and inform one that they have risen since the worst phase of the copper situation was touched. This is undeniably true, but it seems pertinent to recall the threadbare, but nevertheless wise, rule to "buy when stocks are low," although not necessarily at their *lowest.*

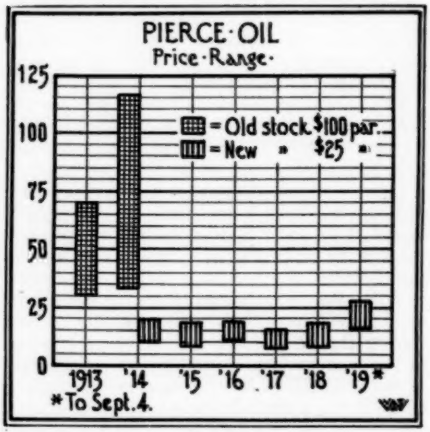
The Passing of Pierce Oil's Debentures

The Causes Underlying the Present Novel Financial Plan—Important Developments in Texas and Mexico—Strong Position Not Generally Realized

By B. L. GOODRICH

WHEN stockholders of the Pierce Oil Corporation decided on July 25 last to increase the capitalization, the bare announcements in the financial press that its stock would be increased from $33,000,000 to $68,000,000 were sufficient to cause hurried unloading in the neighborhood of 27-28, and stock, now around 22, has not yet recovered the lost ground. The graph herewith will show that the disappointment threw a temporary damper on a promising boomlet that threatened to develop when Pierce Oil got familiar with new high ground around the upper 20s.

In a market way, Pierce has never been a favorite, has attracted little or no attention, and its presumed connection with "Standard Oil," through the Rockefeller control of the Waters-Pierce Company, has caused it to be regarded with indifference by those who look for "action" rather than industrial development. True, at somewhat higher levels the usual crop of tips induced some venturesome persons to take a hand, and they bought for the long-expected upswing. The tips did not make good, the "outside following" reaped disappointment instead of profits, and newly acquired holdings were dumped on the market ignominiously.



From a study of the actual facts and figures it seems the announcement has been taken too literally and the real effect of the increase universally misunderstood.

That $35,000,000 Increase

Although its capital stock is authorized at $33,000,000, the corporation's statement to the New York Stock Exchange showed only $18,564,250 outstanding as of August 15, 1918—which is less than half the authorized amount. The funded debt of the corporation stood at a trifle above $14,000,000 at that time, of which about $9,000,000 represents its 6 per cent. sinking fund debentures of 1924, which will be wiped out through the medium of the increased capitalization, by an exchange into the new 8 per cent. cumulative convertible preferred stock. The latter will be outstanding to the extent of $15,000,000, and it may be assumed that all the 1924 debentures will be exchanged eventually, which means that this item represents only $6,000,000 of new financing.

The additional $20,000,000 is made up of an entirely new issue, namely, "common stock class B, non-voting." This new stock, also having a par value of $25, will be exchangeable for the newly created $15,000,000 preferred issue on a parity basis later, *and will be reserved for ultimate conversion;* and even when issued will only increase the capitalization to the extent of $5,000,000. It follows that about $6,000,000 of new money will go into the treasury immediately and make a further $5,000,000 available in a few years time; also that while the entire increase in capitalization is nominally $11,000,000, only $6,000,000 will be outstanding immediately. The great advantage of having the major portion of its funded debt eliminated is also achieved by the plan, and it is obvious that the far-sighted Pierce Oil management thought it best to raise cash while the going was good and get a large body of stockholders to replace creditors.

A better perspective of the position will be gained by a study of Table I, showing in a comparative way the writer's estimate of the true state of recent financing. Clearly its extent has been exaggerated if the market action of the stock is an investment index, as the actual increase is slightly under $10,000,000, so far as the immediate

plans of the management may be divined, and it is only upon a basis of $41,255,771 of outstanding capital in stock and bonds that we need concern ourselves for the present.

Pierce Oil's Solid Foundation

The Pierce Oil Corporation rests upon the solid foundation of a great basic industry—petroleum products—the future of which seems assured. Its present business is the outgrowth and development of an enterprise founded by the Waters-Pierce Oil Company as far back as 1857, so that the present corporation has a long record of experience and a great measure of success behind it. Prevailing conditions were never better for well managed oil enterprises to take advantage of the opportunities that are with us, and Pierce Oil, with its newly buttressed finances, not only seem ready to go ahead but appreciative of these conditions.

The corporation in its present form was incorporated in 1913, succeeding to the business of the Waters-Pierce Oil Company, incorporated in 1878, and owned by John D. Rockefeller and associates. The old company had a capitalization of $400,000 and from the few quotations available, the price of the few shares that ever changed hands ranged from $600 to $2,800 a share. A price of $1,500 a share is reported for a block of 2,000 purchased by H. Clay Pierce from Standard Oil interests, and this was a bargain figure, as stockholders ultimately received a dividend of $1,250 in cash and $2,625 in stock of the present Pierce Oil Corporation when the old company was dissolved.

The early vicissitudes of the Pierce companies would fill a volume in their telling, and it is not yet clear what all the trouble was about. The old Waters-Pierce company seems to have run counter to other oil interests and to have antagonized the State of Texas to the extent that its affairs filled the law courts for many years, culminating in 1907, when the company was invited to quit the State and pay $1,808,754 in fines. The United States Supreme Court affirmed the State's decision on appeal in 1909, the company paid the fine and sold all its properties to S. W. Fordyce, the result being the formation of the Pierce Oil Corporation and the Pierce-Fordyce Oil Association, the latter operating the Texas business of its "erring" predecessor.

This double-headed concern was compelled to operate independently, and the hostility of Texas officials prevented the real heads of the Pierce Oil Corporation from putting a finger in the company's own Texas pie. Happily, however, with the tremendous development in oil taking place throughout Texas, the legislature evidently saw the light in March, 1917, when all old hatchets were legally buried, and a bill was passed specifically licensing the formerly offending corporation to do business in the State of Texas. It secured its license in December, 1917, and its first act was to take over Pierce-Fordyce Association, this step enabling it to operate as a single unit, unhampered by political enmity or official suspicion. Subsequent expansion of its business in Texas and the striking development of this fast-growing oil State in the past two years, accounts very largely for the wonderful improvement in Pierce Oil's affairs.

Financially, the unification of all interests was originally accomplished by issuing $10,500,000 in common stock and $8,000,000 in one year 6 per cent. gold notes, all of

TABLE I—PIERCE OIL'S CAPITAL STRUCTURE

	Aug. 15, 1918		Sept. 1, 1919	
	Authorized	Outstanding	Authorized	Outstanding
Common stock	$33,000,000	$18,564,250	$33,000,000	*f*$21,706,450
Preferred	....	....	*d*15,000,000	*g*6,000,000
8% cum. conv. New Common Class B	....	....	*e*20,000,000	*d*9,000,000
Funded Debt:				
6% Deb. 1924		*a*$9,523,000	....	*h*........
6% 5 year G. N. 1920		*b*2,000,000	....	$2,000,000
6% 2 year G. N. 1920		*c*155,300	....	155,300
Car Trust Obligations, 1918-20		763,603	....	763,603
Pipe Line Loans, 1919-20		1,000,000	....	1,000,000
Mortgage		630,418	....	630,418
		$32,636,571	$68,000,000	$41,255,771

a, Exchangeable for preferred stock, *d*. *b*, *c*, Convertible into *f*. *d*, About $9,000,000 held available for taking up the 1924 debentures. *g*, Assumed that issue will be sold at par immediately. *e*, $15,000,000 whereof exchangeable eventually for *d*: $5,000,000 for corporate purposes. *h*, In process of exchange for preferred stock, *d*.

which was used to exchange and buy in the old stocks of the Waters-Pierce company, and to pay the debts of that company and the Pierce-Fordyce Association. The small balance left over was found insufficient for the growing needs of the new concern, and when par value of the common stock was changed from $100 to $25, this also involved an increase to $30,000,000.

Development of the Corporation

Although the predecessor companies have been doing business in Missouri, Illinois, Arkansas, Oklahoma, Louisiana and Texas since 1855, and in Mexico since 1877, the real business of the Waters-Pierce Oil Company—the parent company— was primarily a distribution agency for petroleum products. It was not until the entry of the present interests in the old company in 1913 that any radical change was made in its policies, when over $3,500,000 was expended to acquire oil lands, leaseholds, pipelines and pumping stations. Refineries were erected at Tulsa, Okla.; Fort Worth and Texas City, Texas, tank cars, steamers and barges were purchased; in fact, no effort or money was spared to lay the foundation for what the business now is—the petroleum industry in all its branches.

In the six years that has passed, the development of the corporation in many states of the Union, as well as Mexico, has been rapid and spectacular. It now owns about 1,400 tank cars, one-half of which have a carrying capacity of 10,000 barrels each and its tank and marine equipment ranks with the most efficient. These two items of transportation equipment represent an investment of about $4,000,000, and it would require about double this figure to duplicate them at present. The company has since added modern refineries at Tampico and Vera Cruz, Mexico, to its three American plants, and operates 135 miles of pipelines and many miles of gathering lines from Drumwright to Sandsprings, Okla, and from the Healton, Okla., field to its refinery at Fort Worth, Texas. The daily crude capacity of its refineries is 43,000 barrels, while the tankage capacity approximates 3,000,000 barrels. The corporation is producing refined products at the rate of 5,000,000 barrels annually, the actual figures being 3,893,858 barrels for 1917 and 2,455,751 for the first half of 1918.

Production has kept pace with other lines in which it is engaged. The corporation has about 130,000 acres of land in Oklahoma, Texas, Arkansas and Mexico. Improvement in Mexican conditions will doubtless help out its refineries there in the next year or two, as about 10,000 acres of supposedly proven properties are owned in these prolific fields, and a well with an estimated daily capacity of 3,000 barrels was brought in last September. In the Ranger district of Texas the corporation also controls around 50,000 acres on lease. It has already brought in a well in the field and expects others to come in as a result of its present drilling campaign. Its holdings in the Cushing and Morris pools of Oklahoma are said to be very valuable, as the oil there is among the highest grade in the Mid-Continental field. The corporation has not gone after oil very aggressively in the past, but recent developments, especially in the Ranger field, the continued high prices and the heavy demand for both crude oil and refined products, lend ground to the belief that bigger things are impending in this direction later.

To study the growth of the corporation, its constant expansion, and the effect on its securities, the figures on the principal cor-

TABLE II—PIERCE OIL CORPORATION

Comparative Statement of Combined Earnings and Operations, 1915-1918

Year	Pierce Oil	Pierce-Fordyce	Combined Earnings	% on Pierce Stock	Dollars per Share on Pierce Stock
1915	316,787	332,706	649,493	3.38	.85
1916	1,393,778	1,057,297	2,451,076	12.77	3.19
1917	1,044,861	564,628	1,609,489	8.39	2.09
1918	......	......	3,951,584*	20.59*	5.15

*Estimated on basis of nine months' returns.

Year	Refined output, bbls.	Est. Value	Total Value	Trading Profits	Margin of Profit
1915	3,795,700	$2.67	$10,134,500	$1,085,644	10.71
1916	4,305,000	3.95	17,004,700	2,432,208	14.30
1917	3,893,858	4.76	18,534,500	3,032,622	16.36
1918	4,911,500	5.19	25,490,700	6,472,000	25.39*

*Estimated on a basis of nine months' return.

poration—Pierce Oil—and those relating to its erstwhile partner, the Pierce-Fordyce Association, must be combined. These are shown in Table II.

It will be observed that earnings have grown from 85 cents a share in 1915 to around $5 a share last year. The indications favor an even better showing for 1919. Assuming earnings of $4 a share for the first nine months of 1919, the corporation has been able to reinvest a surplus of about $15 a share behind its common stock from the beginning in 1915 to date, since it has never paid a dividend on that issue.

So far as its business development is concerned, it is rather significant that while prices for refined products have only advanced from $2.60 to a trifle over $5 per barrel, or less than double the 1915 prices, the corporation has been able to keep down production costs to the extent that the margin of profit increased from 10.7 to 25.3 per cent.—two and a half times the old profit basis. Pierce Oil is one of the corporations that has actually benefited greatly by the peculiar economic conditions of war and post-war times.

Debentures or New Preferred?

Upon a basis of its August 15, 1918, statement to the New York Stock Exchange, the funded indebtedness of the corporation totalled about $14,000,000 and annual interest charges nominally $840,000. In practice it has required an annual average of $725,000 to cover this item. During the past three years and up to the present (current earnings estimated), interest charges have been earned two and a half times after allowing substantial depreciation charges in 1917 and 1918. There is no reason to doubt earning power available to pay interest charges. The security behind its $14,000,000 obligation is an enterprise that seems worth $40,000,000, of which about $10,000,000 is net working capital, the two latter amounts being the writer's current appraisement upon a very conservative basis.

Virtually the same security will stand behind the new preferred stock, which is in no worse position, as any increase in its amount will be set off by cancellation of debentures and increase in working capital—the bulk spot cash or quick assets. Following the debentures and preferred stock issues comes the common stock, which is worth today about $40 a share based upon the net assets behind that issue. Those who exchange their debentures for preferred stock will get an 8 per cent. cumulative preferred stock, which in turn, can be ultimately exchanged for the new common stock, class "B." If the debentures are attractive, as the writer believes them to be, the preferred stock should be doubly so, on account of the further profit possibilities inherent in it through the ultimate conversion possibilities. The preferred stock is not subject to being called, and so far as the writer can judge, it will constitute a perpetual call on the growth of the corporation.

The writer is impressed with the corporate record of Pierce Oil since 1913. Its financial policies, expansion and development program, methods of business and long-range planning seem to be guided by those who are thoroughly familiar, not only with the oil business in all its branches, but, more important still, with proper methods of handling finances. There seems to be a "Standard Oil" streak through Pierce Oil which is in its favor. The Standard Oils have no funded indebtedness and seem to be partial towards preferred issues for new financing. This is what Pierce Oil is doing now. The Standard Oils are not put into the speculative arena but sell on their merit.

Pierce Oil common stock bears none of the earmarks of speculative activity traceable to inside sources, and, apparently, the common stock movements are regulated by supply and demand only. This issue around 22 seems to have established itself at about double former levels, but against this, earning power has advanced even more radically. It is to be doubted whether, taking a very broad view of the situation and looking ahead two or three years, the shares are not selling below their investment worth and ultimate dividend prospects. On the latter subject, the writer believes a $2 annual dividend would be a fair start and justified in the early future.

White Eagle and Transcontinental Oil

Two Recent Consolidations Which Represent Complete Cycles—Investment Value Compared with Speculative Possibilities

By CAMERON ROBERTSON

IN looking over the mass of literature of recent oil flotations, one is struck by the fact that the vast majority of the new companies are entirely in the prospect class or have little that is settled or stable about their affairs. This is not considering the many that are undeniably of dubious character, but just taking up those which plainly are genuinely seeking to develop their possibilities to the utmost.

Among the comparatively small number of new companies which appear to be well outside of the prospect class can be included the White Eagle Oil & Refining Company and the Transcontinental Oil Company. Each is now a complete cycle in the industry, engaged in producing, refining, transporting and marketing crude oil and its products. Each of them has as a nucleus several smaller companies of experience and previous good standing in the oil business. Each of them is seeking to grow along conservative lines to a position of prominence in the industry.

White Eagle

The White Eagle Oil & Refining Company is a consolidation of the White Eagle Petroleum Company, the Texhoma Petroleum Company, the White Eagle Oil & Gasoline Company, the Winters Petroleum Company and the B. & M. Petroleum Company.

Through these subsidiaries it controls leases on 3,600 acres of land, all in proven territory in Oklahoma and Kansas, some of it in the Peabody Field of Kansas and the Osage district of Oklahoma. The total present production of the company is said to be above 2,000 barrels daily, with a number of new wells being drilled and others planned for the near future.

The company's White Eagle refinery at Augusta, Kansas, is of the most modern type. It has a daily capacity of 5,000 barrels and obtains oil from its own gathering pipe lines, of which it has a total of 40 miles, running to the pools in Butler County, Kansas. The company is thereby assured of a supply of crude for its refinery independent of its own production. The refinery is also served by 200 tank cars owned by the company and an additional 100 cars which it leases. The steel storage tank capacity at the refinery is about 500,000 barrels.

Large Retail Depots

Officials of the company claim that it is the second largest retail distributor of oil products in the State of Kansas, and an important distributor in Colorado. It has a total of seventy retailing stations in the two states, marketing a large percentage of the gasoline, kerosene, lubricants and fuel oil from the company's refinery.

The actual earnings of the companies merged in the new corporation for the year ending April 30, 1919, were $744,767, from total gross sales of $6,095,436. Appreciation in the value of the oil and gas leases for the year was estimated at above $1,500,000 additional.

Current earnings are reported to be at an annual rate of above $1,000,000, with still further increase predicted as a result of recently completed wells in the producing properties. Dividends at the annual rate of $2 a share are planned for the coming year, which could be easily paid even if there were no increase in earnings over the preceding year.

A consolidated balance sheet of the companies merged in the new corporation, appraised by a leading firm of certified public accountants, shows total assets of $5,478,634, without counting in the value of the one-half interest owned by the new company in the American Oil & Gasoline Company. The balance sheet shows in detail the items making up the total of $1,962,100 fixed assets (after depreciation of $281,233). Leaseholds and the investment therein are valued at $2,253,726 and current and working assets are placed at $1,196,091. The current liabilities are $1,244,351, indicating about $4,143,023 equity for the stock, or about $27 a share.

The above valuation is without allowance for the expansion in the company's earnings, which has taken place in recent months, and without regard for the addition to its assets. The major part of the company's earnings for the year were from its refinery and distributing station, only $111,132 having come from crude oil production. It can be seen, therefore, that it ought to be able to earn close to $4 a share

annually (its total net income having been $744,767) without any addition to earnings from production of crude oil.

White Eagle is a small producer at present, although earning close to $1 a share on the current outstanding stock last year from production alone. If recently drilled wells continue at their current production, the company will add several dollars a share yearly to its income, while if the development of its production is successful, the earnings may go considerably above that figure.

The company has evident investment value from its refining and marketing properties and business, and there is also considerable additional speculative value in the stock from production possibilities.

Transcontinental Oil

One of the most prominent of recent incorporations in any line of business, and the largest of the newer oil companies, is the Transcontinental Oil Company, incorporated during July, 1919, in Delaware. It is a combination of several old-established oil companies with the oil interests owned or controlled by the Benedum-Trees partnership. At its inception it has almost $200,000,000 assets, and if the hopes and plans of its sponsors and backers are fulfilled within a few years it will be engaged in world-wide trade in oil and oil products and will grow to a size rivaling all but about two or three of the oil companies of the entire world.

Transcontinental Oil started out as a complete cycle in the oil industry with established production, refineries, transportation facilities and marketing stations. The companies actually in existence that were taken into the combination had been engaged in all four branches of the oil industry for several years. These companies, having a total capitalization of about $8,500,000, were the Riverside Eastern Oil Co., the Riverside Western Oil Co., the Tex-Penn Oil Co., the Pittsburgh-Texas Oil & Gas Co. and subsidiaries of these companies. By far the most important acquisition of the new corporation, however, were the thousands of acres of leases of the Benedum-Trees partnership in Texas and the hundreds of thousands of acres of oil concessions in Colombia, South America. As many experienced oil men believe that South America, especially Colombia, is very likely to become a large producer of oil in the future, the company's foreign holdings represent a potential oil reserve against declining production in the United States.

Capitalization 2,000,000 Shares

Before considering further details of the actual work of this company it is essential to look at its financial structure. The company has no funded debt and only one class of stock, of which 2,000,000 shares have been authorized and issued. Within a few weeks after the formation of the company Transcontinental stock was listed on the New York Stock Exchange where it has continuously sold at

Capitalization	White Eagle	Transcontinental
Outstanding stock	154,300 sh. of no par value	2,000,000 sh. of no par value
Funded debt....	None	None
Crude oil production (latest estimates) ...	2,000 bbls. daily	15,000 bbls. daily
Holdings	3,600 acres	*996,973 acres
Refining capacity	5,000 bbls. daily	3,000 bbls. daily
Estimated annual net income	$1,000,000	$8,000,000

*810,000 in South America.

close to $50 a share, reaching a point above $55 early in the present month. The stock has no par value, but on its current market value it places an estimate of above $100,000,000 as the current worth of the stockholders' interest in properties.

In its statement to the New York Stock Exchange the company placed the assets of the Riverside and other companies at a total of about $20,000,000. It also published a tentative balance sheet of the new corporation as of August 1, 1919, giving the total assets at $196,993,064. From this it can be deduced that the Benedum-Trees interests must have been valued by the company at above $150,000,000. As both of the men in this partnership had been in the oil business for many years and are known to have accumulated a huge fortune (Mr. Benedum being reputed to be worth $60,000,000), it is well within reason to believe that the estimate, large as it seems, is justified.

In the tentative balance sheet all of the leases, refineries, gasoline plants, pipe lines, tank cars, distributing stations, etc., are appraised at $187,290,000. Cash on August 1 last is placed at $9,085,729, and minor items make up the balance. Current liabilities total less than $400,000, leaving the company with working capital to start with of above $9,000,000, all in cash. The capital surplus (or it might be called book value or equity) is $196,615,916, indicating an equity of $98 a share on the stock.

Earnings $8,000,000 Yearly Now

It has been officially stated that upon the completion of various refining plants and gasoline extracting units the company will earn from $30,000,000 to $40,000,000 per annum without counting in possible additional income if some of the non-proven territory of the company should turn out to contain large quantities of crude oil. Current earnings are at a rate above $8,000,000 a year, or over $4 a share on the stock. This is being steadily added to, and as no dividend has been declared as yet current income is going back into the property.

The important Duke-Knoles pool holdings of the company, amounting to 3,479 acres in a solid block, which is surrounded on every side by producing wells owned by other companies, has only been developed on the outside so far, most of its wells being offsets to those without. Of the completed wells six are producing and about fifty are being drilled on this tract. The initial production of one of the wells was 11,000 barrels daily. Geological estimates of the probable production of the company's holdings in this pool are from 100,000,000 to 200,000,000 barrels total, and the directors plan to get it all, and will put up rigs and start drilling until there is full development in every section of the pool.

It is of the Edwards Plateau in South Texas that interests connected with the company speak with bated breath, for if the geological oil-sand formation of the rest of the Mid-Continent and Texas oil fields continue through this section, as is confidently believed, it may be of more importance than the Ranger field. Seepage has been found in the center of a solid block of 35,000 acres owned by the Transcontinental in the Edwards Plateau. Its total holdings in this section are 147,000 acres. As other important oil interests are also developing properties in this part of Texas the near future may add much territory to that already listed as "proven" in Texas.

Besides a number of good holdings in small blocks in Oklahoma, Louisiana and other states, the Transcontinental owns leases on 20,000 acres in Oldham County, Texas, which are declared to also hold promise of being developed into one of the most prolific producing sections of Texas. It is the policy of the company to continuously expand its holdings of oil lands and it is now looking over possible prospect territory in all parts of the United States and in several foreign countries.

Seepages on the oil lands of the company in South America prove that there is much oil there and neighboring companies have developed actual production from drilling. The company's more than 800,000 acres of leases in South America are so situated that exports from them, by river and the Atlantic Ocean, would have to travel a shorter distance to any port of Europe or to any port on the Pacific coast of the United States than does oil from the Texas ports. If development of these properties warrants it, and the company's officials confidently believe that it will in a few years, Transcontinental will build or purchase sufficient shipping to carry its own production or refined products from South America.

Large Refinery Additions Planned

The company started business with a refinery of 3,000 barrels daily capacity at Boynton, Oklahoma, and is erecting another of 10,000 barrels daily capacity, and plans to add several additional plants later. The company owns the exclusive right to refine under the "Brownlee" process which is considered better than other methods, giving more gasoline and other refined products than the ordinary.

The company has several large gas wells among its producing properties, one well alone having an output in excess of 40,000,000 cubic feet per day, and its total gas output is in excess of 100,000,000 cubic feet daily. In addition to 17 gasoline extraction plants now owned by the company several more will be built for transforming the gas into gasoline.

The transportation properties of the company include 300 miles of pipe line in Oklahoma, Texas, West Virginia and Ohio. In the latter two states the company has some production and also some of the gasoline plants are in them. Transcontinental also owns or leases a total of more than 500 tank cars, of which about 150 are owned outright.

In addition to the four large parcels of land, in one of which successful drilling operations have disclosed to a certainty the possession of many millions of barrels of oil, many of the smaller holdings are already producing.

The directors plan to make Transcontinental a power in the oil industry, not only in production, but in all the other three branches—refining, transporting and marketing. As a final word of conclusion, it may be said that they are men who have the experience, the energy and the wherewithal to make Transcontinental Oil a name known throughout the world. The progress of the company, therefore, will be watched with very keen interest.

COMPARATIVE RATINGS OF OIL STOCKS

THIRD SERIES—THE NEW YORK CURB AND MISCELLANEOUS GROUP. PART IV

Name	Par	Capital	Annual Dividend	App. Price		Net Rating	Remarks
Central Petroleum	$5	Common $900,000		16		C	Controlled by Texas Co. Very long pull.
	$100	Preferred	5% cum	75		A	Div. guaranteed by Texas Co. Sells on investment basis.
Indian Ref. Co.	$100	Common $3,000,000	12% p.a.	180		B	"Havoline" brands very popular.
	$100	Preferred $3,000,000	7% cum			A	Sound, conservative oil investment.
	$100	Bonds $300,000	6%	99			
Lobitos Oil Fields, Ltd	£1	£400,000	10% and Extras		London Stock Exch.	B	Growing Peruvian producer, with apparent Standard Oil affiliations.
Lone Star Gas	$100	$6,000,000	8%	180		B	50,000 acres of best lands in Texas. A big "Ranger" factor.
Louisiana Oil Refg.	$50	Common $3,750,000		40		C	Fine holdings; promising company.
	$50	Preferred $350,000	7%	45		B	Poor market, but sound.
		Bonds $1,000,000	6%			A	Very well secured.
Magnolia Petroleum	$100	$44,000,000	8%	490		A	Controlled by S. O. of N. Y. Complete cycle: Oklahoma, Kansas, Texas.
	$100	Bonds $10,000,000	6%	100		A[1]	Gilt-edged; earns interest about six times.
Mexican Eagle	$10	Ordinary $41,500,000	Averages 20%	40	15-35	A	Second producer of Mexico. Control with Shell-Cowdray and probably British Government.
	$10	Preference $8,500,000	8%			A[1]	Not traded in on New York market.
National Oil	$10	Common $15,000,000	None	5		C	Operates in Southern Mexican fields, 36,000 acres (3,600 producing). Reports 30,000 bbls. daily.
	$10	Preferred $7,500,000	8%				Inactive.
New England Fuel Oil	$10	$250,000	40%	165		B	A highly successful Mexican leasing company. Magnolia and Royal Dutch affiliations. Close corporation. Stock too high to be conservative.
Paragon Refining	$25	Common $5,000,000	6%	28		B	Big Ohio producer and refiner that has been successful.
	$10	Preferred $2,500,000	7%	10		A	Inactive but well fortified.

International Products Makes Progress

South American Concern Controlled by Americans—Applying American Methods to Primitive Conditions—Strong Financial Sponsorship

By MAX GOLDSTEIN

DOWN in South America, in the little semi-developed republic of Paraguay, an American concern is importing the methods and organization of Chicago to handle the undeveloped resources of a virgin country.

The International Products Company, which has close financial relations with such representatives of American "big business" as Armour & Company, the American International Corporation, and the interests represented by the Baldwins, Theodore N. Vail, Percival Farquhar and G. F. Sulzberger, was founded in 1916 to engage in the packing, tanning and allied industries in Paraguay. Its meat packing business is mostly handled by the Central Products Company, all of whose outstanding capital stock it owns.

The International Products' line which has attracted most attention of late is the quebracho extract and the tannic acid produced from it, which are of vital importance to the tanning industry. Quebracho extract is obtained from trees of the same name, which are grown in large quantities only in South America. It is about the fastest and surest of the tanning materials known to the trade, and is remarkably rich in tannic acid, which is the active principle.

Large holdings of quebracho trees, with an estimated total of 2,000,000 tons of wood, are among the company's 1,000,000 acres of Paraguayan lowland, the rest being used as pasturage for the company's cattle. Most of these lands are some 200 miles above Asuncion, the capital of the little republic, and front the Paraguay River for over twelve miles. This assures convenient and cheap transportation facilities, as Asuncion is by way of being quite a port.

International's Cattle Business

According to its latest report, the company had 35,000 head of cattle, horses and other live stock, with the necessary equipment and supplies. The country is particularly well suited for cattle raising, it is said.

Without any intention of going into hog raising, the company bought twenty hogs from the natives at $1 a head to use in feeding its employees, of whom there are 2,500. Within a short time the company was having difficulty in keeping down the number of the hogs, and it is now said to be contemplating importing those of American breed, as the native variety is of too low a grade to be commercially valuable. This incident merely illustrates the possibilities of the stock raising industry in South America.

The company expects to handle 100,000 head of cattle yearly by the end of 1920, and is expanding its packing facilities with that end in view. The packing plant's product is turned out in the form of six-pound cans of corned beef.

The main trouble hitherto has been with labor. Not that it wanted too much, but that there wasn't enough of it. Labor conditions in Paraguay are unusual in that a prolonged war some forty years ago with Argentina, Brazil and Uruguay killed off most of the adult male population and cut down the birth-rate badly. With what natives there are the company has had to follow a system of education planned to include a large number of men successively, using those that were taught first to teach the others.

It is estimated that with the cheap production costs existing in a comparatively untouched country like Paraguay, an annual killing of even 70,000 head of cattle should give a net profit of $1,000,000, or over $30 a share on the preferred issue of $3,247,500. The company owns six tugs and eighteen barges for its river traffic, and is, hence, independent as far as local transportation goes.

The company's output of meats and edible meat products for the next five years have already been contracted for by Armour & Co., Ltd., of London, assuring it of its market beforehand.

The Quebracho Industry

It is to be expected that the company's equipment for the handling of quebracho extract is not quite up to the industrial standards of Pittsburg or Chicago. For instance, the logs have to be placed on carts which trundle along on two eight-foot wheels and are drawn by oxen. A diminu-

tive railroad with equipment of the kind that used to be fashionable in the United States before the time of the Spanish-American War then hauls them over to the company's extracting plant, which has fairly up-to-date machinery. It has been found economical to use as fuel the logs which have been chipped for extraction purposes.

As the company's production costs on a ton of tannic acid are unofficially declared to be about $85, and the acid sells at $200 a ton, it is evident that the industry is a profitable one. The company's plant is said to be capable of turning out 15,000 tons of the solid extract annually, and to be built in such a way that it can easily be expanded to handle 25,000 tons.

Profits from this end of the business alone, at its present rate of operation, would therefore amount to $1,725,000, or over $17 a share on the common. The quebracho business is rather important, seeing that the total production of the extract for this year was about 200,000 tons, and that it has been widely in demand for the better tanning of leather, for which there has been an extraordinary demand, particularly in the finer grades.

Financial Organization

The company has outstanding $1,300,000 of first mortgage 7 per cent. bonds, all held by the American International Corporation. These bonds are subject to redemption at fifteen days' notice at 105 and accrued interest, and are taken care of by a sinking fund provision of $26,000 annually, with additions from previous earnings amounting to $130,000 a year.

Of the preferred stock, $5,000,000 has been authorized and $3,947,500 issued. This stock has a par value of $100, pays 7 per cent. and is cumulative, beginning October 1, 1917. It is preferred as to assets as well as dividends. The company has stated that all but $700,000 of the preferred issue was sold for cash at par, the remainder representing properties and services rendered.

There are 93,597 shares of the common outstanding, with no par value, out of an authorization of 100,000 shares. They are carried on the balance-sheet of the company at $1 a share. This is also the value of the properties received or services rendered to the company for which the shares were issued, according to the company's statement. At a recent meeting an increase in the authorized capitalization of $1,000,000 of preferred and 35,000 shares of common.

At the same time it was announced that the dividends accumulated on the preferred to June 30 last would be paid off.

No earnings reports of the company are available as yet, but some of the facts given above tend to show great earning power, based on cheap labor and an assured market. Taking as correct the estimate of $1,000,000 profits on the sale of cattle and by-products, and $1,700,000 for that of quebracho, it will be seen that the annual income will pay $221,000 for combined interest and sinking fund requirements on the bonds, $239,525 for dividend requirements on the preferred, and leave large amounts for common dividends and surplus.

The two stock issues were listed by the Boston Stock Exchange in March, and later were introduced to trading on the New York Curb. The common has shown a good advance, and at latest quotations was about 49. At this price, in spite of its newness, it would seem to be a good purchase of a rather speculative character because of the attractive earnings prospects for the company, its strong financial connections, and its conservative financial policy.

IMPORTANT INTERNATIONAL TRADE CONFERENCE

Twenty thousand business men have been invited by the executive committee of the International Trade Conference to attend the meeting called by the Chamber of Commerce of the United States at Atlantic City, September 31 to October 3, inclusive, for the purpose of conferring with delegates from England, France, Italy and Belgium about plans for the restoration of commerce.

The International Trade Conference gives promise of being the most important gathering of the kind ever undertaken, and as every state in the Union is a factor in the trade of the world, the entire country will be interested in the deliberations and the results. The aim of the Chamber of Commerce of the United States in bringing about the Atlantic City convention is to have focused on various phases of commerce the best business thought of the age, to the end that the channels of the world's commerce will be opened, production stimulated and demand supplied.

Relative to the discussion of a subject, fuel supply, for instance, there will be an American committee including producers, shippers, economists and business men who will meet from day to day with the foreign delegates. By this method Italy, for example, will have every opportunity to present its needs in conference with the committee on fuel supply, representing all of the countries.

National Fire-Proofing Hit by War

War Check on Building Operations—Only Partly Balanced by War Orders—Peace Prospects

By ELI S. BLAIR

TELL anybody connected with the National Fire-Proofing Co. that "after all, you know, the war did benefit American industry," and it is more than likely that disastrous consequences will result. The company had begun to overcome the handicaps of over-capitalization, inflated assets, and a pioneer line of business which needed expensive long-pull advertising, when along came the war in Europe, America's participation and the necessary restrictions on the use of building materials. The story can be summed up in the following figures: for the year ended Dec. 31, 1918, gross operating income on a capitalization of $14,361,800, amounted to the insignificant sum of $5,840.

The firm is fairly old, having been founded in 1889 as the Pittsburgh Terra Cotta Lumber Co. It manufactures porous terra cotta and tile fire-proofing, conduits, chimney brick, sewer pipe and clay specialties, but its expanding line is the manufacture of hollow tile, which it has been pushing for the last few years through a vigorous sales and advertising campaign.

Among the company's properties are twenty-one plants for the manufacture of the above products, and 4,000 acres of clay and coal lands, included in which are 3,000 acres of oil land at Haydenville, O. This latter property has been leased on a royalty basis and is now being developed by the lessees.

Capitalization

The funded debt of the company consists of an issue of first mortgage and collateral trust 5s, of which $125,000 are due each September 1 to 1932. There are $1,649,000 outstanding. Of the capital stock, all of the $8,000,000 preferred authorized, except $100,000, has been issued. This stock pays 7 per cent. theoretically, and is non-cumulative. This is rather unfortunate for the preferred stockholders, as no dividends have been paid since January, 1915, and between 1910 and that date the regular rate had been 1 per cent. quarterly.

Of the common stock, $4,500,000 has been authorized, and $4,461,000 is outstanding. On the balance-sheet this is represented by an item of equal amount for "good-will," mostly represented by past expenditures for advertising. No dividends have been paid on the common since 1903. Par value of both classes of stock is $50 a share.

Cutting Down the Overhead

The annual report for 1918 admits, proudly but sadly, that the high cost of the sales and advertising campaign has been reflected in a large overhead expense, which, it goes on to say, "is the usual penalty of leadership." However, by the elimination of branch offices, consolidations of offices in the larger cities, and simplified distribution methods, the company claims to have effected a reduction of 50 per cent. in sales and administration expenses.

Most of this change and development refers to the hollow tile end of the business. The company was trying to introduce this instead of the older forms of brick and tile for building. The war hit this "infant industry" hard. As a result of shortage of labor, shortage of fuel, and particularly the almost complete abandonment of commercial business, the plants during the war were operated at only 44 per cent. of capacity. Through direct and indirect contracts the plants were kept going on war work at prices fixed by the War Industries Board.

Bad as the effects of the war had been, however, the coming of peace was still worse. Government work ceased almost immediately with the signing of the armistice, of course, and the uncertainty and depression of the industrial and commercial world at that time were reflected in the cessation of work at the plant.

Company officials state that the plants have been kept up to full operating efficiency so as to be able to handle business as soon as it shows itself. The amount expended for this purpose during 1918 was $266,917, which was absorbed into the manufacturing expenses, although there was but little product turned out.

Earnings Record

Even before the war, however, the company was far from being upon a stable and satisfactory earnings basis. The earnings on the preferred in 1912 were 4.45 per cent., just about enough to pay the 4 per cent.

regular rate on the 7 per cent. preferred. The next year's results were a little better, netting 5.21 per cent. on the preferred. The figure of 2.03 per cent. for 1914 showed the blighting effect of the first touch of the hand of war, and the two following years showed deficits. A spark of reviving prosperity was shown by the earning of 1.23 per cent. on the preferred in 1917, but the next year a deficit was again shown.

Prospects

With the renewal of activity in the building trade which has taken place in the last few months, the company has once more begun to raise its head. It has counted heavily on the cumulative effects of its protracted advertising, and on the prestige which its main product has gained through its use by the Government. There has been a slump in construction activity within the past two weeks because of labor unrest in the building trades, and this may temporarily affect the earnings of National Fire-Proofing. Undoubtedly, however, the earnings for 1919 will compare favorably with those of the years preceding.

The past showing of the company has been undeniably poor. In part this may be attributed to over-ambitious capitalization and large expenditures for advertising and sales campaigns on which commensurate returns have not been received. The fiscal policy of the corporation does not seem to have been very conservative, either, judging from the distribution of 4 per cent. dividends in 1912 and 1913, when earnings were respectively 4.45 and 5.21 per cent. Even though these dividends were non-cumulative, it might have been better for the corporation to have saved this capital to be "ploughed in" as surplus. Current assets applicable to the preferred stock as of Dec. 31, 1918, were only 37 cents a share, and net tangible assets applicable to the common were $10.

The corporation's securities are listed on the Pittsburgh Stock Exchange, where they have been rather inactive of late, recent quotations on the preferred being around 17, and on the common about 9. Both stocks, being purely speculative, have had a comparatively wide range of prices since dividends were cut off, but they do not seem to be very desirable purchases now, particularly the common. The preferred may be able to resume dividends if earnings are good and the building boom assumes the proportions now expected, but stockholders are likely to have a severe strain put upon their patience.

GARY FAVORS TRADE WITH GERMANY

Elbert H. Gary, chairman of the United States Steel Corporation, speaking at the annual meeting of the American Bar Association at Boston, told the assembled members that from an economic standpoint, considering of paramount significance the question of benefit to ourselves, we ought to resume business relations with Germany and Austria at once. He said:

"Of signal importance there is to be considered by the people of the United States their attitude toward other countries. We have been provoked to feelings of anger and hostility toward the Central Powers and their associates in the war. We are convinced they have disregarded the laws of God and man, and should make restitution and suffer penalties; and this has been provided for. What shall be our attitude toward them?

"We would not benefit ourselves or others by indulging sentiments of hate or revenge. It is not necessary to forget or forgive, certainly, unless there is repentance on the part of those who are guilty of moral turpitude, but we should at least be sufficiently wise to consider the ultimate effect upon our own interests of unnecessary antagonisms.

"There are at least two good reasons why we should liberally resume the buying of German and Austrian goods. We desire them to supply our own wants, and besides the purchases will have a decided influence in re-establishing the rates of international exchange. We should seek and fully reciprocate the friendship of all other nations whenever it is compatible with principle. We should, if practicable, be neutral as between all other countries if we are to have their respect and confidence. Our position should be uniformly honest, dignified, kind, impartial, and in all respects above reproach. This is right and it will be profitable. It is a time for the exercise of patience and wisdom and the application of the highest ideals of propriety and virtue in dealing with world affairs.

"Of great consequence to all countries is the opportunity to import and export supplies of all kinds in exchange for other commodities or money, unrestricted as to location or by discriminatory legal provisions, established rules of business or practices of any kind, so that all shall be on the same basis of privilege.

"A fleet of ships, largest in capacity and fastest in movement, may exercise a predominant influence in international trade, but every nation may provide itself with the best, limited only by its financial ability or policy, and there can be no reasonable objection to the success which follows enterprise and expenditure."

Present Position of the Market

Main Swings of Industrial Averages Since 1907 — The Question of Reactions in Bull Markets—Are Industrial Prices Now High?—Future Possibilities

By SCRIBNER BROWNE and RICHARD D. WYCKOFF

THE average investor is apt to keep his nose so close to the market that he can't see it—or at least, cannot see it in its proper perspective. He is so much concerned with current news and gossip that he fails to give due weight to broader and more fundamental considerations.

In order to view the market in perspective, I have had prepared for this article a graph showing the monthly high and low of the industrial averages since 1907. I don't know of any continuous average of the same number of industrial stocks for this entire period. But since the change from 12 industrials to 20 is made at the bottom prices of 1914, the wide swings are fairly well indicated by the graph as shown.

I confine myself to the consideration of industrials, excluding the rails, because since 1914 the industrials have been the real speculative market. The rails would demand separate consideration, and as every one knows their present prospects are directly dependent upon the action of Congress.

Duration of Bull Markets

Four bull markets are shown on the graph:

	Months
November, 1907, to October, 1909	23
July, 1910, to September, 1912	26
October, 1914, to November, 1916	25
December, 1917, to (?)	(?)

The second of these bull markets was interrupted by a reaction which carried prices back to their starting point. This unusually big reaction was due to heavy foreign selling on fears of a European War and to the starting of the anti-trust suits against U. S. Steel and other leading companies.

The third bull market is reckoned as beginning in October, 1914. The Stock Exchange was then closed and the lowest prices were made on the Curb.

If we were to go back still further we should find that the bull market which began in October, 1903, lasted through 1906, or about 26 months. If, therefore, we were to assume that the present bull market culminated at the end of July, its duration would have been only 19 months, or very much shorter than any of the preceding four bull markets, which averaged over 24 months. This is entirely possible, certainly, for there is no ironclad rule about the length of an upward movement—or about anything else connected with the stock market. But there are several reasons why it seems probable that the present market will not prove to have been ended in 19 months.

First, the buying movement was very slow in getting started, being held in check by the war. It was not until the signing of the armistice in October, 1918, that there was any real outbreak of buying, and then it was short-lived. The really big speculation did not start until March, 1919. It takes a considerable time for such a movement to run its course—that is, in fact, the reason for the comparative uniformity in the length of past bull markets.

Again, this country is wonderfully prosperous, in spite of all doubts and difficulties. Central and Western farmers and business men are not worrying much about European credits. They are bulls to a man, and they have the money with which to buy. Money rates, while not cheap, are comparatively easy everywhere. In Wall Street, 6 per cent. is the current rate. And what does the enthusiastic public care about 6 per cent. a year? Prime commercial paper is 5¼ to 5½ per cent. at New York. Such a rate is not high enough to draw money away from the stock market to any great extent.

The buying power of the public and the availability of loans at reasonable rates are two very big factors toward the possibility of a renewal of the bull movement.

August Decline a Reaction?

If we were to assume that the bull market is not yet over, that would imply that the considerable decline which occurred in August should be looked upon as a reaction. It is of interest to see whether similar reactions have occurred in other bull markets.

The following general principles in regard to reactions in bull markets may be deduced from a study of the fluctuations of the last 15 years:

(1) A reaction of five points or more in the averages usually occurs near the beginning of the bull movement or in its early stages.

(2) Other reactions which may occur during the first year of the upward swing do not usually extend beyond five points.

(3) In the second year, a much larger reaction occurs. The extent of these reactions, months covered, and the date when the industrials later reached their culmination at a still higher point, are shown in the table herewith.

REACTIONS IN BULL MARKETS		
Reaction Dates	Extent (points)	High for Industrials
Apr.-May, 1905	12.4	Jan., 1906
Nov., 1908-Feb., 1909	8.5	Oct., 1909
June-Sept., 1911	14.1	Sept., 1912
Dec., 1915-Apr., 1916	14.2	Nov., 1916
Oct., 1918-Feb., 1919	9.9	(?)

The recent reaction—if such it was—amounted to about 14 points for the 20 industrials. This is not abnormal in view of the extended rise. In this respect it corresponds very closely with the reaction in the previous bull market which occurred early in 1916.

Further Advance Possible

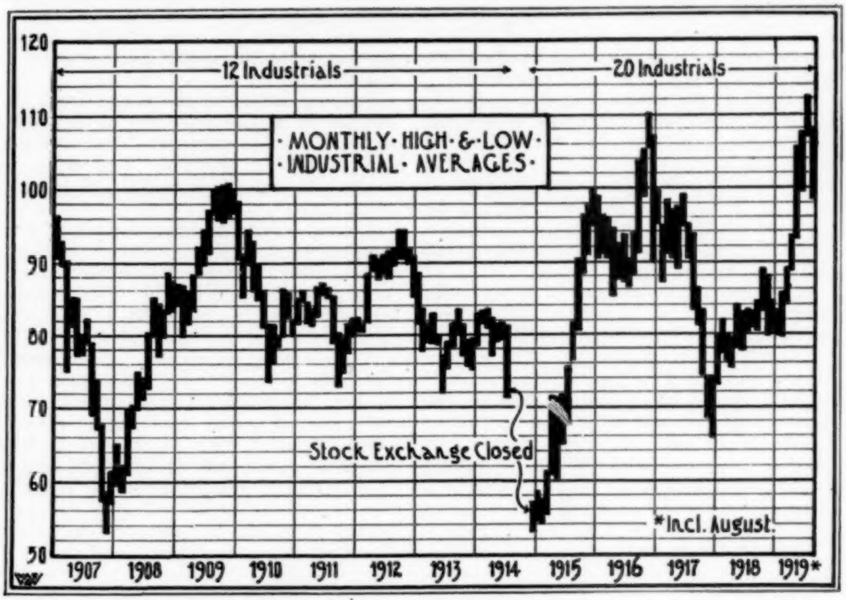
If we assume that the August decline was a reaction, can any conclusion be drawn as to the probable extent of the further advance which might take place?

Not with any definiteness. As will be seen from the graph, there is very little regularity in either the extent or duration of the final advance which has followed these big second-year reactions. That is as which each bull market is carried on differs from the others.

There are certain features which are common to all bull markets because they are the logical result of the bull speculation itself, such as dullness in the early stages; would be expected, for the conditions under limited reactions only during the first year; increasing activity and wider price changes in the second year, which naturally result in one or more big reactions; excited trading and big volumes around the highest prices of the movement.

But other features differ, depending upon the supply of liquid capital which can be used to finance the movement, the movement of commodity prices, the size of our export balance, political policies, labor conditions, etc. So it would be absurd to expect any close uniformity in the behavior of bull markets.

Doubtless the question of a renewal of the bull market now depends upon this latter set of conditions; but we can at least reach the conclusion that the first set of conditions, depending upon the market itself, are favorable to a further advance.—*Scribner Browne.*



What the Action of the Market Indicates

In our June 21st issue we referred to the position of the market as one inviting the liquidation of securities in which

profits were to be had. June did not mark the top of the market, as indications appeared to prove at that time, for the high of the year, up to this writing, was made about the middle of July; but after that, as every one knows, prices went a good deal lower, and the question which has puzzled Scribner Browne and other market students is whether the decline of July and August represented the beginning of a bear market, or merely a reaction in a bull market.

A study of the summer's fluctuations has developed some very interesting points, but none more important than the ability of prices not only to recover but to advance in many cases to new high levels. This power to "snap back," as it is often called, is the result of a shortage in supply as compared to the demand which has been created, and of itself indicates higher prices.

While the decline was severe, it proved to be only what might be called a normal reaction after the very important advance of the previous several months. The critical point was reached during the latter part of August, when it was a question whether the market had the power to recover to its former highs and then go higher, or whether it would fall back into a trading position and work back and forth over a comparatively small range until a new impulse was given on one side or the other.

The advance during the first week of September has rather definitely settled this question, for although the average price of fifty stocks has not yet recovered all of its loss, it has gained a great part of it within a much shorter time than was occupied by the decline. This feature, combined with the power of certain issues and several groups of stocks to rush up into new high ground, gives a basis on which to form an opinion as to the immediate course of the market.

Judging from the above and from other indications at hand, we are of the opinion that the present movement indicates a resumption of the advance. This means that prices will probably exceed the highs of two months ago.

Owing to the violent character of the fluctuations and the advanced position of prices from where investment purchases were generally in order, we wish to emphasize that this is essentially a market for speculators and not for investors. There are, of course, exceptions. Each security should be judged, first, with regard to the position of the industry of which it is a part; second, as to its finances; third, its earning power, and fourth, its technical position. If this rule is followed there will still be found many attractive opportunities for those who endeavor to derive profits from the fluctuations.—*Richard D. Wyckoff.*

AMERICAN BANKERS' CONVENTION

St. Louis hankers are preparing to entertain the forty-fifth annual convention of the American Bankers' Association, which opens in that city September 29, in a manner that will be a credit to St. Louis. With an anticipated attendance of about 5,000 bankers, including their wives and daughters, the principal feature devised for their entertainment is a "Mammoth Indoor Circus Royal, Hippodrome and Dansant," as it is officially described, to be given at the Coliseum on Tuesday evening, Septerber 30. An elaborate performance will take place from 8 to 11 P. M., and dancing will follow. Admission will be by card only.

There will be a smoker at the Statler on Monday evening, September 29, and an informal dance at the Planters Hotel on Wednesday evening, October 1. Besides dancing, there will be card parties and refreshments. The entertainment has been so arranged as not to conflict with the business sessions. President Wilson has been invited to address the convention, and other prospective speakers are Homer L. Ferguson, president of the Chamber of Commerce of the United States and David R. Francis of St. Louis, former Ambassador to Russia, Henry P. Davison of New York and P. P. Claxton, United States Commissioner of Education have accepted invitations to speak.

The general convention sessions will be held Tuesday and Wednesday mornings and all day Thursday. The sections of the Association—trust company savings bank, clearing house, state secretaries, national bank and state bank sections—will meet Monday, Tuesday and Wednesday afternoons.

Canadian Pulp and Paper Industry Grows

Capitalization Now Amounts to $225,000,000—United States, With Its Numerous Newspapers, Furnishes Constantly Expanding Market

By NORMAN HARRIS

WHAT a great industry the production of pulp and paper has already become in Canada, is shown by figures. In the year 1890 our total exports of pulp and paper amounted to but $120. By the year 1910 these exports had risen to $10,000,000; but these figures assume relative insignificance in view of the statement of Mr. J. A. Bothwell, president of the Canadian Pulp & Paper Association, who places the value of the production of pulp and paper for the current year at $120,000,000 and estimates that our exports will amount to about $100,000,000 in value.

This industry has grown to mammoth proportions very quickly, the chief reason being that the supply of pulp wood in the United States has become inadequate to feed the myriad newspaper presses of that country. A nation cannot eat up all its pulp wood and then turn around and renew the supply for that generation. While it is true that other trees than spruce are being employed, yet the spruce is still the most valuable paper tree, and it takes from 100 to 150 years to bring a spruce to proper maturity.

There are no less than 91 incorporated companies in Canada manufacturing pulp or paper, with a combined capital which is conservatively reckoned at about $225,000,000, but which is growing all the time. The largest pulp and paper companies are putting out new issues of bonds and stock. Smaller concerns, some of which have gone ahead in a small way for many years, are being assembled and recapitalized and it would not be surprising within a few years to find that not less than $500,000,000 would represent the capital engaged in the pulp and paper industry here.

The bulk of our pulp and paper goes direct to the United States, and this traffic gives us the benefit of the premium of over three per cent. on New York funds. It is expected that with the still further enlargement of the activities of this one industry the transactions between the two countries will do their part in reducing the discount against the Canadian dollar.

Principal Market in U. S.

There is no slackening in the steady demand for Canadian pulp and paper, and more especially for newsprint, for United States account. Price regulation in Canada must end with the war. This is the understanding of the Canadian Pulp & Paper Association officials, and with our pulp and paper products selling under open competition there should be a growth in this business that may shortly put Canada at the top of the list of all pulp and paper producing countries.

The United States now leads the procession. The United States is reckoned to have 2,500 daily and Sunday newspapers, and 14,000 weeklies, with a circulation of some 71,000,000 copies. This market is wide open to Canada, and indeed it may be said that just now we are almost confined to United States export. During war the British Government put all Canadian ships available for war work under British registry, and there our ships remain. There is one manufacturer in Quebec who has, or had recently, some 12,000 tons of ground wood pulp lying on the docks at Quebec waiting an opportunity for shipment to England.

Our main permanent market, however, appears to be the United States. The paper industry in England is a considerable one, and contrary to what many think, the great paper mills over there are in a position to largely supply the home demand. Not that Canada could not find a paper market overseas for all the available product even now, but the scarcity of shipping and the fact that there is a handicap of from eight to ten dollars per ton difference in our freight to England as compared with the rate from Scandinavian countries, gives the United States the preference. The United States is our closest and most valuable market and the exports of pulp and paper across the line will show a great expansion every year.

Supply Not Inexhaustible

Canada possesses in ideal combination every unit necessary to develop on a great scale the production of pulp and paper of a grade and at a price to compete most successfully with that of any country in the world. We have in our forests 350,000 square miles of pulp-wood timber, estimated to yield 1,033,370,000 cords of pulp-wood.

This is a substantial national asset, but already bankers and mill men are scanning the future, and they do not by any means delude themselves with the theory that here is an inexhaustible supply. They reckon our pulpwood is good for about half a century, if re-forestation is practiced as at present, on a very limited scale. But it is only natural to believe that when it comes to be fully under stood that we must depend mainly on the fabrication of our much-vaunted "natural resources" into marketable export commodities to pay our war bills, both principal and interest, a determined effort will be made to replace the pulp trees with new growth on a proper scale.

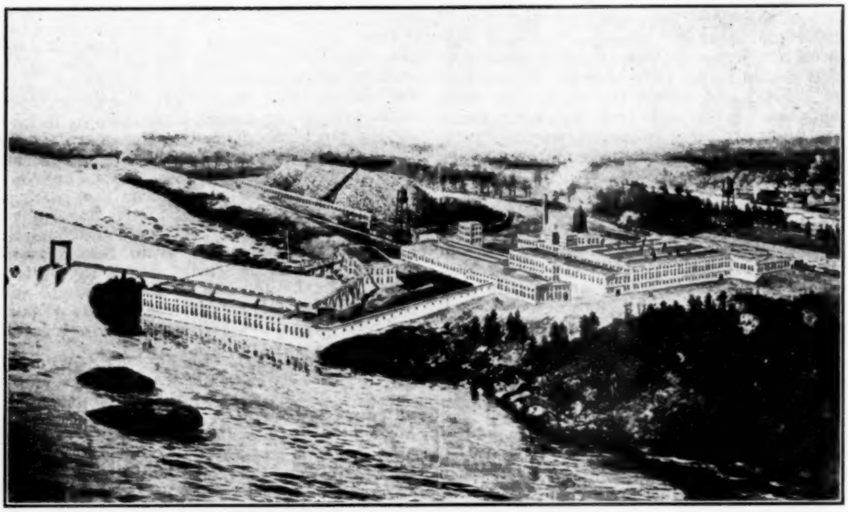
The daily consumption of newsprint paper in the United States is about 5,750 tons, and it has been estimated that it takes the product of 20,000 pulp-wood acres every year to supply the newspaper of Canada with white paper. As we use only about one-twentieth the paper required across the border, it can be seen what an immense amount of growth is required to keep up the supply.

The significance as a national industry of pulp and paper in Canada is shown by the one fact that in the fiscal year 1917, out of ten main avenues of production in this country, the value of pulp and paper products came fourth on the list. It was greater than our dairy products, our iron and steel products, our fish production, our manufacture of vehicles, or our sales of copper.

Before the war foreign countries produced the greatest amount of chemical pulp, but recently the growth of this department of the business in Canada has been remarkable. We have every facility for the production of chemical pulp. In the year 1908 Canada manufactured chemical pulp to the value of only $1,500,000, while for the fiscal year ending March 31, 1919, our export of chemical wood pulp was valued at over $30,000,000, during which period the export of newsprint was $40,718,021.

An effort will be made to hold the chemical pulp trade of the United States, but more than that the intention is to reach out and, under more favorable shipping conditions, to establish the market for this product throughout the world.

The somewhat wonderful transformation from business in a small way to business in a large way in our pulp and paper branch, in a few years only, has, of course, added greatly to the number and extent of bond and stock issues which have been brought out in connection with the industry. It will be interesting to show the present capital, as compared with former capitalization, of the principal companies actively engaged in the production of pulp and paper, and to show the number of new concerns that have added their securities to the market, as well as to consider the course of those securities subsequent to their being sold to the public.



A typical Canadian paper mill. The wood is taken from the water and sent to the pulp mill, after which the pulp goes to the paper mill on the right.

Securities Active

I have alluded to pulp and paper securities on the Canadian stock markets. Spanish River, from being a promotion pumped up with "water," struggling to pay its bond interest, preference stock and common stock dividends, and failing utterly in the two latter business tasks, has within three years become a wealthy corporation. There is no secret about the matter: big orders and adequate prices. The common stock of this corporation had become an insipid security. Many of the holders had written off their loss. The idea of a dividend had about been dissipated. But now Spanish River is quoted daily amongst the "active listed securities." The 7% cumulative preference stock is currently quoted at 106. The common stock is around 40, and that security has more warrant for the assumption that it is destined for a par quotation than ever before in its history.

The Brompton Pulp & Paper Company is comparatively a new-comer in the field. This corporation was incorporated under the laws of the Dominion of Canada in the year 1916.

It has outstanding two million dollars of first mortgage bonds, two millions of preference shares, and seven million dollars of common shares. It is almost a precept in finance that if the common stock of a regularly organized corporation whose securities are publicly absorbed gets itself upon a dividend earning or paying basis within five years, the finances of the concern must be carefully scrutinized.

The firm of Greenshields & Company put the common stock out at 59. Speculators reached eagerly for the output, so popular at that time were pulp and paper issues. In the vibrating business of the period, Brompton was taken up as high as 79 on the regular market, but there has been a natural recession since then and today the stock is quoted around 62. This company, incorporated only in 1916, actually declared and paid its first dividend on the common on February 1, 1917, followed in the same year by a second dividend, the total disbursement for the first half of that year on common being $175,000.

The surplus revenue for the first six months of 1917 was $617,263, or at the rate of $1,334,526 for the year. This is a Greenshields pulp and paper flotation, and it may be said that anyone who participated has so far been able to make money. The financial statement for the second year's operations of this company shows a net earning of $1,051,274, after war taxes, with a balance of $287,274 carried forward into profit and loss. The common is still on its five per cent. basis, payable quarterly. Total assets are $12,338,773.

The pulp and paper securities have in many cases set at naught the predictions of good business men, of professional financial analyzers, and of experts in the pulp and paper business. Spanish River is one instance of this. Brompton, while never looked upon as a distinctly unsound promotion, was nevertheless viewed somewhat askance by the careful buyer.

North American Pulp & Paper Company came out a few years back with a topheavy load of share capital, non-par common shares and a claim to value in its assets that appeared to be ludicrous. The inside opinion among conservative paper company financiers appears to have been that no more speculative security had been offered to the public than this one. The variations of the common stock on the market are familiar to all market observers. They know also that despite handicapping conditions within the company calculated to make a comptroller's head swim, and after a tantamount re-organization and the interjection of a new policy, the common stock of this company has risen one hundred per cent. or more from its dismal point. While it may be too soon to establish any intelligent opinion as to the future, yet North American common stock may be called at least a speculation of some promise owing to the new financial interests that have become identified with the company during the last year.

Seasoned Issues

I am not paying much attention to the old ironsides issues in the pulp and paper field. Laurentide, as an instance, has been of little interest to the market speculator, as this corporation is an old and wealthy one, its common stock having been listed on the Montreal Stock Exchange in the year 1911. However, it is interesting to note that although this corporation has been in business for six years longer than Brompton, the total assets of Laurentide are but two million dollars, roughly, greater than those of Brompton. Laurentide stock sold at 145 soon after listing. The stock has never been under par since then, but has ruled nearer one hundred per cent. premium over par.

Abitibi Power and Paper Company, Limited, is a Dominion incorporation of the year 1914. Outside of a bond issue of $2,459,000 outstanding, the company has issued one million of preference and five million dollars of common stock. The total assets of this corporation are $17,097,762. The common stock sold when listed at around 58, and despite the fact that the common has not paid a dividend, the average price for the year 1919 has been some five points higher, but with few sales.

Toronto Paper Manufacturing Company, Limited, is an incorporation of the year 1912. The dividend payments of this company have been somewhat broken and erratic. Earnings in the year 1913 appeared to justify a common dividend and six and one-half per cent. was declared and paid. Next year this fell to one and one-half per cent. and in 1915 no dividend was forthcoming. But in 1916 the common paid 5% and in 1917 6% and 4% extra, and in 1918 6% and 3% extra.

This company is now paying 6% and may not exceed that figure for 1919. The stock is selling now around 75, and as the earnings for 1918 were $162,373, to which is added a balance from the prior year of $254,089, this on a paid-up capital of only $750,000, the security is looked upon as having considerable promise under the expectation of larger business in the future.

The above does not take in all the pulp and paper companies of Canada by any means. But the short financial summary of the performance of those mentioned will give the observer a general impression as to the condition of the industry in Canada. With the certainty of a large fixed market, an increasing demand, an expectation of good, if not higher prices for pulp and paper products, and a situation where abundant funds have enabled uncertain companies to bolster up their position, it seems probable that these common stocks may be fairly good speculations at current market prices, and that some of them are undoubtedly destined to sell much higher.

READERS' ROUND TABLE

[Subscribers are invited to contribute to the Readers' Round Table Department. From our readers we receive many valuable suggestions and interesting ideas, and have inaugurated this feature in order that they may present their problems and their thoughts to their fellow-readers. We believe that this interchange of ideas will prove to the advantage of all. Send in your manuscript addressed to Editor, Readers' Round Table. No names will be used unless permission is given.—*Editor.*]

He Likes Steel Common

Editor of THE MAGAZINE OF WALL STREET:

After 18 years of most careful management, coupled with the abnormal prosperity resulting from the World's War, the United States Steel Corporation has now reached a point in its history where it can safely be designated as the peer of all industrial corporations. Its financial and moral status is such as to make it the acknowledged leader in the manufacturing world and of the stocks of corporations listed on the New York Stock Exchange.

As a fitting climax to its career and a strong argument in favor of industrial combinations, it may be said that the United States Steel Corporation was one of the most potent factors in helping the Allies win the war. The production of this vast organization exceeds by one-third the steel output of all of Germany's plants combined. Judge Gary, president of the Steel Corporation, was a $1.00 per year man and placed the entire plant and its 250,000 employees at the disposal of the U. S. Government during the war.

U. S. Steel Corporation, with $423,806,259 in cash and Government Bonds in its Treasury and with a book value of $235.00 back of its common stock, is certainly in an enviable position. Most of the other large corporations are in the market trying to sell preferred stock while the Steel Corporation has money to loan. Admittedly, the greatest problem before the banker of America today is the financing of European nations to enable them to purchase our goods, to feed themselves and to rehabilitate their recently destroyed industrial enterprises.

A "bull" market is absolutely necessary to achieve success in marketing securities. It will, therefore, be necessary to produce the proper psychological effect and to retain public confidence to strengthen the New York Stock Market and keep up the "bullish" activity. U. S. Steel common will likely be the stock selected as the next Stock Market leader when the bull market starts again.

If we segregate the stocks listed on the New York Stock Exchange into five divisions, tobaccos, oils, motors, railroads and steels, we find that the leaders of all classes of stocks above mentioned have crossed the $200.00 mark at some time in their history with the exception of U. S. Steel common, leader of steels. As a matter of fact, steel common has more actual value behind it than any of the other leaders.

The following facts concerning U. S. Steel Corporation may prove interesting to prospective investors. The last published annual statement of the U. S. Steel Corporation, on December 31, 1918, shows:

Total assets	$2,571,617,175.08
Current assets	883,136,081.03
Cash on hand	173,806,259.00
Government bonds	250,000,000.00
Accounts receivable and inventories	391,709,355.72
Property accounts	1,563,937,122.89

Rumor has it that the Steel Corporation will place its Government Bonds (amounting to $250,000,000.00) in a fund and issue common stock for a like amount, and distribute it as a stock dividend to its common stockholders, a most desirable method indeed for capitalizing part of its enormous assets and distributing same to its stockholders. In the first half of 1919, although the plant was running at only 60 per cent of capacity, the Company added 10 million dollars more to its surplus, bringing it up to $477,019,324.38. This surplus consists of cash and Government bonds.

Mr. Bernard M. Baruch, who is said to have made millions in the stock market, particularly in Steel common, always bought the stock when nobody wanted it and sold it when everybody wanted it. He was a keen student of economics and a psychological expert as well and his methods were far different from the average operator's. Why not try them?—W. C. G.

WALL STREET JOTTINGS

J. E. Mezzardi and E. A. Wilson have become associated with the firm of J. Batbie Company, member of the Consolidated Stock Exchange.

Lieut. Col. Theodore Roosevelt has withdrawn as partner in the firm of Montgomery & Co., and James H. Perkins has been admitted to partnership in that firm.

E. McCormick has been appointed assistant to the president of the Railway Steel Spring Company. H. S. Banghart has been made treasurer, and D. C. Dunn, assistant treasurer.

New York Cotton Exchange membership of R. S. Gernon, has been sold to T. P. Flaherty for $24,500, the price for the last previous sale of such a seat.

National City Bank has opened a branch at Porto Alegre, Brazil, its sixth in Brazil.

Jules S. Bache has accepted the chairmanship of the Stock Exchange division of the Actors' Fund national memorial day drive.

Maury, Rogers & Auchincloss, members, New York Stock Exchange, have issued a circular on Studebaker Corporation.

Financial News and Comment

Note.—The Railroad and Industrial Digest, Notes on Public Utilities, Oil Notes and Mining Digest, contain condensations of the latest news regarding the companies mentioned. The items are not to be considered official unless so stated. Neither THE MAGAZINE OF WALL STREET nor the authorities for the various items guarantee them, but they are selected with the utmost care, and only from sources which we have every reason to believe are accurate and trustworthy. Investment commitments should not be made without further corroboration.—Editor.

RAILROADS

B. & O. Shopmen Strike

Fifteen hundred men employed in the company's shops at Cumberland, Md., have walked out on strike in rejection of President Wilson's appeal to remain at work.

Earnings report shows: July gross, 1919, $16,320,586; 1918, $17,674,458. Balance after tax, $2,197,626; $4,579,650. Net operating income, $2,160,116; $5,327,634. Seven months gross, $96,080,418; $86,000,075. Deficit after tax, $1,221,346; *$1,348,322. Net operating deficit, $1,863,750; *$38,869. *Income.

C. & O. to Build Joint Terminal

The Kentucky Railroad Commission has entered an order directing the immediate erection of a new structure at Covington, Ky., to replace the terminal at that point, for the use of this company and the Louisville & Nashville R. R. The order requires the two railroads to have the station erected not later than June 1, 1920.

More than 600 cars of coal held at the Silver Grove yards of the company by the strike of shopmen have been released for shipment beyond Cincinnati.

Chicago & Northwestern Earnings

July gross, 1919, $13,321,598; 1918, $12,888,465. Balance after tax, $3,073,621; $3,972,697. Net operating income, $3,076,885; $3,938,520. Seven months gross, $75,871,922; $64,747,995. Balance after tax, $7,316,026; $4,658,287. Net operating income, $6,952,087; $5,327,240.

C. B. & Q. Earnings Report

July gross, 1919, $13,068,386; 1918, $13,325,718. Balance after tax, $2,688,059; $4,257,012. Net operating income, $2,523,776; $4,174,742. Seven months gross, $75,871,922; $64,747,995. Balance after tax, $12,592,800; $11,907,797. Net operating income, $11,110,608; $11,500,338.

C. M. & St. Paul Finds Oil

Indications of valuable oil deposits have been found along the company's line, according to President Calkins. Responsible interests are said to be conducting drilling operations in the vicinity of the road in both Washington and Montana and are obtaining satisfactory results. It is rumored that one of the interests operating in Washington is the Standard Oil Company of California.

D. L. & W. Earnings

July gross, 1919, $6,342,043; 1918, $6,447,131. Balance after tax, $1,391,552; $2,346,075. Net operating income, $1,353,555; $2,389,233. Seven months gross, $40,504,367; $36,295,569. Balance after tax, $7,015,245; $7,785,687. Net operating income, $6,729,723; $7,960,912.

Denver & Rio Grande Ctfs. Listed

The New York Stock Exchange has admitted to dealings Bankers Trust Company certificates of deposit for D. & R. G. first and refunding 5s of 1955, stamped as to August, 1919, interest.

Erie Earnings Improved

July gross, 1919, $7,868,833; 1918, $7,950,515. Balance after tax, $386,641; $534,037. Net operating income, $380,498; $1,127,532. Seven months gross, $49,700,458; $44,038,598. Deficit after tax, $1,974,591; $4,946,578. Net operating deficit, $2,065,505; $3,860,511.

L & N Report to I. C. C.

July gross, 1919, $8,894,919; 1918, $9,508,722. Balance after tax, $1,361,214; $2,787,138. Net operating income, $1,281,110; $2,909,964. Seven months gross, $59,354,090; $52,503,516. Balance after tax, $5,087,527; $9,144,891. Net operating income, $4,876,875; $10,289,807.

Mo. Southern Signs Contract

Director General Hines has signed a short line contract between the Railroad Administration and the company. No compensation was fixed in the contract.

N. Y. Central Earnings

July gross, 1919, $28,185,031; 1918, $26,282,974. Balance after tax, $7,054,523; $7,204,446. Net operating income, $7,135,024; $7,415,990. Seven months gross, $169,998,641; $149,012,329. Balance after tax, $22,719,958; $13,723,684. Net operating income, $22,419,463.; $12,044,337.

Penn. Stockholders Increase

Stockholders of the company reached a new high record on August 1, 1919, at 112,261, an increase of 618 over July 1, and an increase of 8,033 over August 1, 1918. In the past two years the number of stockholders has increased by 18,012, while the average holding has been reduced from 105.95 to 88.95 shares.

On August 1, corporation holders of Pennsylvania stock numbered 988, an increase of 50 over a year ago.

Earnings were reported: July gross, 1919, $33,753,654; 1918, $37,869,201. Balance after tax, $3,066,765; $10,144,199. Net operating income, $2,813,391; $9,259,438. Seven months gross $208,379,920; $189,922,546. Balance after tax, $8,522,670; $7,890,119. Net operating income, $7,344,460; $3,445,819.

Reading Earnings Report

July gross, 1919, $6,602,517; 1918, $8,836,862. Balance after tax, $1,582,229; $3,562,522. Net operating income, $1,262,392; $3,899,166. Seven months gross, $40,252,121; $44,409,406. Balance after tax, $2,894,964; $7,426,220. Net operating income, $616,185; $5,058,406.

Rock Island Meeting Postponed

Company's annual meeting has been postponed to September 30, 1919.

Seaboard Air Line May Burn Oil

Company is contemplating converting 350 of its engines into oil burners and several large petroleum companies are submitting bids on the oil required. The company is looking for a five-year supply of fuel oil.

So. Pacific Wins Suit

Federal District Judge Bledsoe, at Los Angeles, Cal., has dismissed six consolidated suits of the Government attacking titles to 162,066 acres of oil lands owned by the company and 221 other defendants in San Joaquin Valley fields.

Judge Bledsoe held that the Government surveyor had returned the lands in question as non-mineral bearing, and that for many years Southern Pacific had held the lands in the market at prices ranging from $2.50 to $5 an acre, both points forming strong evidence of the absence of fraud in the company's application for patents.

Counsel for the Government indicated it would seek an appeal from the decision of Federal Judge Bledsoe.

The walkout of trainmen which has tied up railroad traffic between Fresno, Cal., and Yuma, Ariz., had spread to San Francisco, when yardmen of the Southern Pacific went on strike. Oklahoma yardmen also joined.

Southern Ry. Earnings

July gross, 1919, $11,320,441; 1918, $12,362,233. Balance after taxes, $2,188,528; $4,357,160. Net operating income, $2,098,231; $4,118,184. Seven months gross, $70,372,555; $66,496,844. Balance after taxes, $4,954,998; $16,415,532. Net operating income, $4,118,006; $15,126,541.

Union Pac. Income Report

July gross, 1919, $9,064,459; 1918, $8,732,058.

Balance after taxes, $2,843,211; $4,065,650. Net operating income, $2,788,448; $4,359,669. Seven months gross, $58,516,715; $48,760,658. Balance after taxes, $16,777,380; $15,577,082. Net operating income, $16,655,585; $16,109,451.

INDUSTRIALS

Amer. Agric. Earnings Drop

Annual report of the company for the year ended June 30, 1919, shows surplus, after Federal taxes, charges and preferred dividends, of $2,498,773, equivalent to $7.89 a share earned on the $31,655,200 outstanding common stock, as compared with $6,452,531, or $35 a share in the previous year on the $18,430,900 common then outstanding.

No reserve has been set up to provide for the proportion of Federal income and excess profits taxes applicable to the six months ended June 30, 1919, but the Federal taxes assessed for the calendar year 1918 have been deducted from the earnings of the company's fiscal year ended June 30, 1919.

Income account, year ended June 30, 1919, compares as follows:

Manufacturing profits, 1919, $8,035,954; 1918, $11,079,956; total increase, $8,206,128; $11,377,-107; interest, depreciation, etc., $4,047,458; $3,266,089; net profit, $4,158,670; $8,111,018; preferred dividends, $1,659,897; $1,658,487; common dividends, $1,813,125; 1918, $1,059,-766; surplus, $685,648; 1918, $5,392,754; P. & L,. surplus, $17,080,478; $16,394,829.

Amer. Bosch Magneto Buys Site

Corporation has acquired property on 60th street, near Broadway, New York, as a site for a new plant to cost $700,000.

Amer. Can Co. to Sell Shell Plant

Company will sell at auction its shell machining plant at Edgewater, N. J., in September.

Amer. Hide & Leather Improvement

Company has issued its annual report for the year ended June 30, 1919, which shows surplus, after taxes and charges, of $2,695,001, equivalent to $20.73 a share earned on the preferred stock. In the preceding year the company reported surplus of $2,385,613 which, after deducting $400,000 estimated extra provision for income and war profits taxes to June 30, 1918, charged out in the 1919 surplus account, left a balance for the preferred stock of $1,985,-613, or $15.27 a share.

Amer. Steel Foundries' Orders

Company has enough business to keep it going for several months, but needs more to keep nine plants working at anything like capacity through the winter.

In the first 6 months of 1919 the company earned net balance for its common of $3.90 a share, an excess of 90 cents above the full year's $3 common dividend. It now seems doubtful if the second half year will show up as well as the first, but the equity in Griffin Wheel will tend to counteract that tendency.

It is understood that approximately 95% of Griffin Wheel common has been acquired and in due course the remaining few shares are expected to come in.

Amer. Sugar Ref. Rejects Order

Not enough of the 100,000 tons business in the new crop Cuban sugar, to be refined in this country for foreign interests on a toll basis near 2.00 cents, was offered to the company to make it worth its while. It is intimated that American sugar may not have cared to take on this new export business just now on general public policy.

AGWI Earnings High

Company is handling a big business and its earnings are running at high levels Profits in the six months ended June 30 last were at a rate of about $45 a share on the common stock, before taxes.

It is estimated that all the moneys due the company from the Government may approximate $6,000,000. Whatever additional income is received from the Government will not make its appearance in the 1919 income statement, but in the revised profit and loss item as of December 31, 1918.

Baldwin Gets Foreign Orders

Company has received orders for 50 engines for Denmark and 50 for Egypt.

Carnegie Steel Operating at 90%

Mills of the company are operating at about 90% of their capacity.

Corn Products Strikers to Return

Stated that the last of the strikers at the Argo plant have voted to return to work on company's terms which call for a 5% wage increase.

Fairbanks Co. Stock Listed

$1,500,000 common stock, or 60,000 shares of $25 par value of the company, has been listed on the New York Stock Exchange.

In the company's listing application it was stated that net profits in 1918, after taxes, totaled $554,364, equivalent, after preferred dividend requirements, to 7¼% on the common.

The company is now said to be doing a business of $2,000,000 a month.

General Motors Buys Saxon Plant

Corporation has purchased the $1,500,000 plant of the Saxon Motor Car Corp., and will, it is understood, use the structure for operations of the Scripps-Booth Co., which it acquired as a subsidiary.

Company's new building now in course of erection on West Boulevard, Detroit, will be the second largest office building in the world. The building will be ready for occupancy within a year.

Gulf States Steel's July Deficit

Company's net operating figures for the month of July, 1919, showed a deficit of $9,422. This result was due to a large part of the works being shut down for usual summer repairs.

An operating deficit of $19,569 was reported for June. Net operating income of preceding months was: April, $23,294; March, $67,124; February, $80,839, and January, $57,241.

I. M. M.'s New Atlantic Service

Company has announced the establishment of a new trans-Atlantic passenger and freight service from New York via Constantinople to Constanza.

Inter. Nickel Earnings Rise

According to an official of the company "the domestic sales of the company since June 30 have been steadily increasing and, with the general resumption of business, both foreign and domestic sales should in time be back to normal again."

Jones Bros. Tea Sales Increasing

Company reports July, 1919, sales of $1,410,962, an increase of 19.48% over the same month of last year and sales for the first seven months of 1919 of $9,099,315, an increase of 16.97% over the same period of 1918.

National Aniline Stock Listed

It has been announced that $13,358,300 temporary voting trust certificates for 132,626 shares of 7% cumulative preferred stock of the company and certificates for 242,683 shares of common stock have been listed on the New York Stock Exchange.

National Leather Balance Sheet

Cash, $1,003,048; accounts receivable, $3,907,488; inventories, $20,109,130; stocks and bonds, $11,955,837. Under liabilities appear capital, $30,000,000; accounts payable, $3,116,525; surplus, $3,919,161.

Pierce-Arrow's New Officers

John C. Jay, Jr., has been elected president of the company to succeed Colonel Charles Clifton, who remains as chairman of the board. George W. Mixter was appointed vice-president and general manager in place of Henry May, who has resigned. M. E. Forbes was elected treasurer to succeed W. C. Wrye, who has resigned as secretary and treasurer. S. O. Fellows, as comptroller, will assist Mr. Forbes. E. C. Pearson, formerly assistant secretary, has been promoted to secretary. J. F. Guider succeeds G. W. Cooke as general superintendent.

Punta Alegre Sugar Proposals

A special meeting of stockholders of the company has been called for September 15, to vote on the following prooositions: (a) That the company extend to holders of the first mortgages and the collateral trust 6% convertible bonds the privilege of exchanging such bonds for common stock at any time and without prior notice. (b) That the $760,000 8% preferred stock be retired. (c) That the company increase its authorized capital stock by 20,000 shares of a new 8% cumulative preferred stock, par $50.

Sears, Roebuck & Co. Sales

Company reports sales f r August and eight months, with comparisons, as follows:

	1919	1918
August sales	$18,009,326	$13,974,722
Eight months sales...	140,069,137	115,970,320

Stewart-Warnen Expansion Plans

The South Beloit, Wis., plant of the corporation will be doubled in size, and the force of employes will be increased more than 600 within the next six months.

Studebaker Welfare Projects

The directors have approved with liberal modifications the plans for employes' welfare. The plan includes all employes, instead of those earning $2,000 or less as originallv planned and the copartnership plan will now permit employes to become holders of either preferred or common stock.

Stutz Motors New Financing

Company will receive $1,750,000 in cash from the sale of the 25,000 shares of additional capital stock which shareholders have just authorized the directors to issue and sell for $70 a share. This will substantially augment the company's working capital and place it in a position rapidly to proceed with the proposed plant expansion which calls for the doubling of present production.

With its present facilities Stutz has a normal capacity of about 3,000 cars a year. Plant extension and other improvements on which work is now under way will bring the company's capacity up to 6,000 machines a year, and it is said that this figure may be eventually exceeded.

United Cigar Stores New Officials

J. R. Taylor, for some years manager of the Chicago division of the company, has been elected president. Mr. Taylor succeeds Edward Wise, who becomes chairman of the board.

J. A. Burns has been elected vice-president, succeeding H. S. Collins, who has joined the United Retail Stores Co.

Dr. Mozart Monae-Lesser has been elected a director of the company.

U. S. Cast Iron Pipe Addition

Company has awarded a contract for the erection of a $300,000 addition to the machine shop at its Addyston, Ohio, works.

U. S. Ind. Alcohol Stock Increase

Company has issued a call for a meeting o stockholders on October 7, 1919, for the purpose of voting on a resolution to increase common capital stock from $12,000,000 to $24,000,000. They will also consider a resolution authorizing the sale of such increased common stock at $70 per share.

PUBLIC UTILITIES

Adams Express Deficit

Profit and loss account shows as follows: Balance December 31, 1916, $10,350,433; less dividend March to December, 1917, $500,000; net deficit for 18 months ended June 30, 1918, $7,895,869; net charges against surplus July 1, 1918, to April 10, 1919, $9,757,195; balance deficit, $7,652,631; net income July 1, 1918, to April 10, 1919, $554,355; deficit April 10, 1919, $7,298,275.

Company has denied the rumors that it plans liquidation steps similar to those taken by the United States Express incident to its return to its owners by the Government at the end of the year. However, the company stated that it was probable that it would never operate again an express business, but will continue as a holding company.

Amer. Public Utilities Shows Deficit

Company for the year ended June 30, 1919, reports a deficit, after charges, of $104,816, as compared with surplus of $249,649 in the preceding year.

Income account for the year compares as follows:

	1919	1918
Gross	$4,643,318	$4,452,125
Net after tax	1,590,601	1,657,381
Other income	76,429	80,703
Total income	$1,667,030	$1,738,084
Other expenses	124,307	111,580
Balance for charges	$1,542,723	$1,626,504
Net income	†104,816	249,649

†Deficit.

Boston L. Favors Flat Fare

Chairman Jackson of the Boston Elevated trustees states that the trustees are in favor of a flat fare but still hope to develop an equitable zone system. He advocates sale of the Cambridge subway, believing that if this was done the fare might be reduced to 8 cents. Chairman Jackson said that the trustees had planned on the sale of the Cambridge subway to furnish the estimated 3½ millions required annually for the next five years.

The Elevated has not now enough working capital to keep abreast of current depreciation of the property, and no means of raising additional capital.

B. R. T. Suits to Be Consolidated

The court has ordered the consolidation of the foreclosure and general creditors' suits against the company and its subsidiaries.

Judge Julius M. Mayer in the Federal District Court has made permanent the appointment of Receiver Lindley M. Garrison of the company as receiver of the surface lines in Brooklyn.

Bklyn. Union Gas Shortage Not Feared

Company entertains no fears that there will be a shortage of gas as a result of the absence of four hundred fitters, who have been out on a strike. All departments of the company are running on full time with the exception of the fitting department.

I. R. T.'s Accounts to Be Probed

General Manager Frank Hedley has promised unreserved compliance with the request of Mayor Hylan to throw open the company's books of the last fifteen years in order that the Mayor may be satisfied as to the disposition of every cent of the company's income during that period.

The new wage scale of the company will mean a deficit of $35,390,000 by July 1, 1924, and it will be impossible for the company to earn its fixed charges for many years after that date, according to Stone & Webster.

Montana Power Cuts Dividend

The directors have declared a quarterly dividend of ¾ of 1% on the common stock, compared with previous dividends of 1¼%, payable October 1 to stock of record September 13.

A statement issued by the company said: "Because of decreased earnings due to generally unsatisfactory local conditions of business during the past six months, and because of the present unsettled conditions generally prevailing, the directors have deemed it wise to reduce the dividend on the common stock."

N. Y. & North Shore Fare Raise Held Up

G. P. Nicholson, Acting Corporation Counsel, has sent an order to the officials of the company instructing them not to permit the collection of fares in excess of five cents on the lines operated by the company.

At the same time the Corporation Counsel's office notified Lewis Nixon, Public Service Commissioner, that a rehearing of the traction matter was requested, at which the city officials would be present.

The zone system of fares, which was put in effect last week by authorization of the Public Service Commission, continues in force. Mayor Hylan, in a statement last week, warned the company that the collection of increased fares was in violation of the company's contract with the city, and by putting the zone system into effect they risked court action.

Commissioner Nixon has said that the authorization was an emergency measure, and that if the city requested a rehearing the case would be reopened.

N. Y. & Queens Co. Ry. Wage Award

Company has decided to give a voluntary increase amounting to 25% of salary now in effect to all employes in the operation division of the line.

N. Y. Telephone Offers Rate Reduction

An offer to reduce its rates 5%, or $1,800,000 a year, has been made by the company at the Second District Public Service Commission's inquiry into the company's rates and service. If the proposal is accepted the reduction will go into effect on October 1, and will be in force for one year. Commissioner C. B. Hill appeared dissatisfied with the offer and suggested that a 10% reduction should be made.

J. L. Swazey, counsel for the company, states that the company plans an expenditure of $20,000,000 for the construction program in the next year to compensate for the enforced inactivity along this line during the war.

N. Y., Westchester & Boston Strike Over

Service has been resumed on the company's lines, when striking motormen and conductors, out since August 21, 1919, resumed work in accordance with a compromise agreement effected August 27, 1919, between representatives of the company and the strikers.

Penn. Gas Gives Up Franchise

Stockholders of the company have ratified

the action of the directors of the company in the matter of the withdrawal of the lines of the company from Jamestown, N. Y., on May 1, 1920.

Pittsburg Rys. Need More Than 7c. Fare

Receivers C. A. Fagan, W. D. George and S. L. Tone state that a 7-cent fare on the company's lines would not be sufficient. Such a fare would produce $16,100,000 revenue from 230,000,000 passengers, while the required revenue for 1920 has been fixed by city representatives at $17,446,000, which did not take into account any possible wage advances. The recent wage advance will increase the needed income to $18,446,000.

Representatives of the State government will make an investigation of the conditions surrounding the strike of the company's employes and the attempts of the receivers to operate cars.

United Rys. of St. Louis Fare Request

Company has made application to the Public Service Commission for permission to charge a 10-cent cash fare in St. Louis and a 7½-cent fare for those who ride daily.

The company asserted that the increased expense for the next six months will be more than $2,500,000. The deficit for the year ending May 31, 1919, was $390,186.

The proposed fare increase is opposed by city officials, who state that under a proper bookkeeping system the company's report would be shown to have earned a profit of $1,500,000 instead of a deficit.

The present fare is six cents, with universal transfers. The company also demands permission to charge for transfers.

Western Union in Court

In a complaint filed on August 23, 1919, with the Public Service Commission against the company, the Postal Telegraph-Cable Co. charges the Western Union with refusing to accept messages filed with it by the Postal company for exclusive Western Union points unless cash is paid for the messages.

OIL NOTES

Columbian Ref. Plans New Refinery

A refinery of 1,000 barrels daily capacity, to cost not less than $300,000, will be built on Pelican Island, Tex., by the company if the city of Galveston grants a fifty-year lease of twenty-five acres on that island.

Commonwealth Pet. Stock Offering

Corporation has announced that it will offer to stockholders of record September 9, 1919, 100,000 shares of its common stock of no par value at $40 per share, to the extent of 50% of their stock held. Right to subscribe expires September 24, 1919.

The purpose of the issue is to provide funds for the extension of the operations of the company and for the future development of properties owned and controlled by it.

Elk Basin Expansion

The Elk Basin Petroleum Company of Maine, a subsidiary of the Midwest Refining Company, has acquired the unsold portion of the William Armstrong interests, amounting to approximately 35%, in several thousand acres in the Rock Creek field in Carbon County, including 800 acres of proven ground upon which are wells producing 3,000 barrels. The deal involved in excess of $1,000,000.

It is understood that the deal involves arrangements for extensive development of these holdings with a view to bringing the production up to 15,000 barrels a day, and probably will result in the Midwest Refining Company resuming construction work on its refinery at Laramie, which was suspended some time ago.

New Empire Gas Well

Through the drilling in of Wallace No. 1 well, three miles south and three miles west of Caddo, in Eastland County, the company has materially extended the limits of the Caddo field. Wallace No. 1 drilled into the 1,800-foot sand on August 31, the sand being barely tapped when a tremendous flow of oil came from the well. Despite obstructions due to a fire, the well is flowing in excess of 500 barrels daily.

General Petroleum Earnings

The annual report for the year ended June 30, 1919, shows surplus of $2,448,578, equivalent, after preferred dividends, to $15.40 a share on the common stock.

Income account for the year ended June 30, 1919, compares as follows: Gross profit, 1919, $7,864,827; 1918, $8,183,106. Trading profit, $7,546,759; $7,896,786. General expenses and ordinary taxes, $872,614; $684,491. Net earnings, $6,674,145; $7,212,295. Other income, $172,602; $118,694. Gross income, $6,846,747; $7,330,989. Interest, depreciation, etc., $3,749,-024; $3,568,498. Federal tax, $649,145. Surplus, $2,448,578; $3,762,491.

Great Northern Co. Operations

Company is running close to 115,000 barrels of oil monthly through its pipe lines in Lee County. This company has just completed two new lines, one a three-inch line from Bald Rock to Pryse, and a two-inch line from Bald Rock to Gretno.

About November 1 the company will open its refinery on the Frankfort pike, where it will handle 1,800 barrels daily.

Humble Oil to Build Plant

Complete facilities to handle its developments in the north central Texas oil fields will be established at Cisco, Tex., by the company, which will spend $2,000,000 for buildings and equipment.

Indiahoma Ref. Production

Present production is 4,000 barrels per day. Company has purchased the Black interest of 80 acres having a daily production of 1,000 barrels, in the Simmons pool, Beggs district, Okla.

Company has sold two of its leases for $648,000. In its last statement all of its leases were carried at approximately $701,000. This leaves balance of its leases on statement as $53,000.

Mass. Oil Refinery Starts Mar., 1920

It is expected that the 5,000-barrel oil refinery under construction at East Braintree by the company will begin shipments in March, 1920, and that within a year the refinery will be running full.

The new refinery will involve an investment of more than $2,500,000. The refinery will be so designed as to permit doubling of capacity to 10,000 barrels a day. The property consists of 76 acres and 30 acres more will be added by dredging. Later on it is expected to finance the undertaking above referred to by an issue of notes.

Ohio Fuel Oil's New Well

Company has brought in a 300-barrel well in the Big Sandy district, Kanawha County, W. Va. It is the company's seventh well in the pool.

Prod. & Ref. Earnings

Corporation reports, for the fiscal year ended May 31, 1919, gross earnings of $1,181,906 and net income of $453,395. Profit and loss surplus on May 31 amounted to $7,412,708.

In the annual report for the fiscal year ended May 31, 1919, F. E. Kistler, president of the company, said: "Since the beginning of the new fiscal year net earnings have increased until they are now running at the rate of $2,000 monthly, which is about four times the amount of earnings for the last month of the fiscal year just closed. These earnings are now being realized with only partial operation of the new properties, and when extensions now under way are completed and in operation I can conservatively estimate that net earnings will exceed $300,000 monthly. The company is now in a strong position with respect to working capital. Current assets as of May 31, 1919, amounted to $2,319,097, against current liabilities of $956,062."

Riverside Eastern to Dissolve

Stockholders have passed a resolution authorizing the board of directors to proceed with the dissolution of the company. The sale of the assets of the company to the Transcontinental Oil Company has been completed, and the distribution of the cash to the preferred stockholders will be made during the coming month.

Seaboard Oil's Two Completions

Company has two completions, No. 1 Taylor, better than 2,000 barrels, and No. 1 Elsea, between 1,800 and 2,000 barrels.

Shaffer Oil Output on the Rise

Eight of the series of 24 wells started in June by the company have now been brought in with initial production in excess of 4,800 barrels. Satisfactory progress is reported on the other 16 wells and also on seven additional wells which have been started on Kansas acreage.

Among the last wells brought in by the company are two in the Beggs, Okla., district, one flowing 1,500 barrels per day, and the production of the other was doubled to 2,000 barrels daily.

Company has acquired the Consumers' Refining Company, the Rowland Gasoline Company and the C. B. Shaffer interests in Oklahoma, Kansas and Texas, producing more than 6,000 barrels of oil a day.

Simms Drilling Operations

Company has started drilling operations on its 40-acre Weaver lease in Erath County, Tex. Prices of leases in this vicinity have recently advanced from $1,000 to around $6,000 an acre.

The company has five other drilling operations now under way on its various properties in the Ranger field.

Sinclair Consolidation to Be Passed on by Stockholders

Consolidation of all Sinclair properties in the United States and foreign countries has been agreed upon at a series of directors' meetings. Stockholders of the Sinclair Oil & Refining Corporation, Sinclair Gulf Corporation and Sinclair Consolidated Oil Corporation will be asked to ratify the action of the directors at special meetings which have been called for September 22. The new corporation will be known as Sinclair Consolidated Oil Corporation, operating under the laws of the State of New York. One share of the stock of the new corporation will be issued in exchange for each share of the several constituent companies issued and outstanding and not owned by any of the constituent companies. The new corporation will have an authorized issue of 5,500,000 no par value shares, but as 1,000,000 of the Sinclair Oil and 1,000,000 of the Sinclair Gulf shares have not been issued, the new corporation will have unissued or in its treasury more than 2,000,000 of the total 5,500,000 shares authorized.

With a producing capacity in the Mid-continent, Texas and Mexican fields; with a pipe-line bisecting the country from Ranger, Texas, to East Chicago, Ind., and handling between 40,000 to 50,000 barrels a day; with other pipe lines at branches planned; with refineries having 50,000 barrels a day capacity, which will soon be increased to 100,000 barrels a day, and with a marketing system covering the greater portion of the United States for the sale of the Sinclair products, the new corporation is a gigantic combination. Corporation is sending representatives to all the important oil fields in Wyoming, with a view to acquiring promising acreage. This applies particularly to the Lost Creek district.

Twin City Drilling in Five States

Company is drilling wells in five different states, which includes two wells in Texas.

The company has just made sale of six million cubic feet of gas daily to the Pierce Oil Corporation for a period of five years.

MINING NOTES

Amer. Zinc Sells Carson Hill Stock

Company has sold to a Boston syndicate at a profit of $430,000 the 28,000 shares of Carson Hill Gold Mining Co. stock it held in its treasury.

This stock was given to the company by the promoters of Carson Hill as a bonus for the loan of $600,000 which the company made Carson Hill to finance the development of its property.

Sale of its holdings of Carson Hill disturbs in no way the 100,000 shares of stock of the latter company held as collateral for the above loan.

Company has entered the last half of 1919 in a very strong treasury position. After payment of the quarterly preferred, the company had $4,500,000 or more in net cash assets with no debts. With the profit from the Carson Hill stock sale the company has practically $5,000,000 in cash or its equivalent or over $60 per share on its preferred stock.

Anaconda Output Increases

Company produced 12,600,000 pounds copper in August, 1919, compared with 11,122,000 pounds in July, 10,530,000 pounds in June, 1919, and 24,900,000 pounds in August, 1918. The production in the eight months to August 31, 1919, aggregated 103,302,000 pounds.

Butte & Superior Suit Settled

Litigation between company and the Clark-Montana Realty Co. (known as the Elm Orlu suit) which has been in progress for some years and which involved a large portion of the ore bodies in the Black Rock claim of the Butte & Superior Company has been settled.

The Clark company some time ago obtained a judgment against Butte & Superior giving it certain mineral rights in the Black Rock claim extending from the west end line of said claim to a plane 301 feet east thereof. This judgment was ultimately affirmed by the Supreme Court of the United States.

Canada Copper Balance Sheet

Assets—Properties, 1918, $6,059,323; 1917, $5,461,201; equipment, $258,921; inventories,

$346,054; $302,167; copper on hand, $106,309; $256,488; prep, insurance and taxes, $2,925; $4,345; sundry debts, $12,369; $3,985; investments, $211,539; $103,456; special funds, $6,804; $6,626; due on bond issue, 1917, $1,247,440; cash, $542,966; $109,609; deficit, $229,864; $59,703; total, $7,777,074; $7,555,022.

Liabilities—Capital stock, 1918, $4,729,295; 1917, $4,728,470; funded debt, $2,500,000; $2,500,000; accrued interest, $75,000; due Liberty Bonds, $45,361; equipment construction, $209,578; accounts payable, $203,811; $317,738; reserves, $14,029; $8,814; total, $7,777,074; $7,555,022.

Chief Cons. Mining Operations

Company is producing at the rate of approximately 4,000 to 4,750 tons of ore a month, most of which is lead-silver. It shipped approximately 25,000 tons of ore the first six months of 1919.

Davis-Daly Operations

The Butte & Ramsdell Co., leasing the Lizzie vein of the company, paid in royalties in July to the latter between $4,000 and $5,000, and the payments for August will approximate $7,000.

Sinking of the Colorado shaft has progressed to below the 2,700 foot.

Daily tonnage from the Colorado mine is averaging more than 300.

Estimates of the net earnings for the Colorado mine for August place the amount in excess of $100,000.

Greene-Cananea Output

Mines of the company are producing at approximately three-quarters the rate at which they did during 1918. This reduction is not due in the least to local Mexican conditions. Decreasing copper consumption is entirely the cause.

Around Cananea conditions are the same as ever, with peon labor still abundant.

Because of keeping its working force intact Greene-Cananea can quickly bring its output to a maximum when consumption again warrants such a course.

Isle Royale Production

Company is gradually increasing production. Final figures for August are expected to show in excess of 1,100,000 pounds of copper produced, compared with a recent month average of about 800,000 pounds. The company enters September with a larger personnel and this month should show an output of over 1,300,000 pounds.

At the close of the first half of the year, the company had on hand about $1,300,000 in cash and approximately 5,000,000 pounds of copper. Its cash position today is about the same. The company's unsold copper account at present is a bit increased over the 5,000,000 pound

figure, but with such a plethora of cash unsold metal is in no way unwieldy.

Mother Lode Stock May Be Distributed

A special meeting of the stockholders of the company of Alaska has been called for September 30, for the purpose of acting upon a proposition calling for the distribution of 1,225,000 shares of stock of the Mother Lode Coalition Mines Co., now held in its treasury, derived from the sales of the company's property in Alaska under the contract with Stephen Birch.

The question of dissolving the company will also be considered by its shareholders on September 30, 1919.

U. S. Smelting Buys New Acreage

Company has acquired the Santa Ana property, in Mexico, comprising a territory of over 200 acres of mining ground in the extreme western portion of the Pachuca district. Together with ground already owned in that section this purchase will give the company an almost solid block of over 300 acres of mining ground.

The Santa Ana has been profitably producing silver for some years past. A large body of high-grade ore has been opened up and is available for extraction.

UNLISTED INDUSTRIALS

Aetna Explosives to Sell Plants

It is understood that negotiations have been entered into for the sale of the powder plants belonging to the company.

Should a transfer be effected the company would probably become an underwriting concern as well as doing a general banking business with close to $10,000,000 available as working capital.

Armour May Retire Pfd. Stock

According to Chicago advices, it is understood that although no immediate decision is in view, the company has under consideration a plan for the segregation of its South American investments, and, in connection therewith, the retirement of its preferred stock, which is redeemable at 115.

Bethlehem Motors Asks Listing

The corporation has filed application with the New York Stock Exchange for the listing of temporary certificates for 130,000 shares of its capital stock without nominal or par value.

E. W. Bliss Plant Purchase

The company has purchased the plant of the Consolidated Press Mfg. Co. of Hastings, Mich., one of its largest competitors.

A company official stated that it was wholly a cash transaction. He declined to state the exact consideration, which has been reported at $1,000,000.

The plant, which is one of the largest of its

kind in the country, will be enlarged with additional machinery installed.

Canopus Iron Plant Extension

Corporation, operating properties near Peekskill, N. Y., has commenced the construction of an aerial tramway from its plant to its private dock at Peekskill. Other plant improvements will be made.

Coca-Cola Offering Oversubscribed

The Trust Company of Georgia has announced that the subscription books for voting trust certificates for the company's common stock were closed with a very large oversubscription.

Columbia Graph. to Exchange Stock

At a stockholders' meeting the plan for the exchange of the company's common stock, as set forth in a circular letter to the holders of common stock, was adopted, and the certificate of incorporation of the company has been amended accordingly.

On and after September 2, 1919, at the office of the Franklin Trust Company, 46 Wall Street, New York, holders of the common stock of the company now outstanding should surrender to the company stock certificates representing their respective holdings of such common stock, duly endorsed in blank or accompanied by appropriate instruments of assignment and transfer, and such holders will thereupon receive in exchange for each share of such stock so surrendered stock certificates (in temporary form) representing ten shares of common stock authorized under the amended certificate of incorporation.

Cons. Steel Doing Export Business

President E. A. S. Clarke states that for several months the export sales of the corporation have been running at the monthly rate of about 90,000 tons or 10% of the output of finished products of the constituent companies allocated for foreign markets.

Inquiries continue strong from South America and the Orient. Comparatively little buying is being done by the European countries directly affected by the war.

Du Pont Motor Starts Building

Company has commenced the erection of a machine shop, to form the first building of its proposed plant at Wilmington, Del., for the manufacture of automobiles.

It is proposed to inaugurate active operations within about a month, allowing for the completion of cars early in November.

E. Paul duPont is president of the company.

Fisk Rubber Business Increasing

Company continues to report increased business and it had been learned from reliable sources that the common stock will be placed on a dividend basis in the "very near future."

Ford to Build New Plant

Henry Ford has decided to build a factory at Mt. Clemens, Mich., to build certain parts of automobiles.

The company also plans to make all its open and closed bodies in the River Rouge Eagle plant, which will be immediately transformed into a body factory, as the company's submarine destroyer contract has been completed.

The plan is a furthering of the policy of the company to centralize its manufacturings under direct Ford control. Automobile bodies are now being made at independent plants in Detroit and Pontiac.

Gillette Razor Advances Wages

Company has notified its employes of a general voluntary increase in wages, averaging 10%, effective September 1.

Haynes Auto. to Build New Plant

Company is planning to erect a new factory at Kokomo, Ind., through which its floor space will be increased 300,000 square feet.

Illinois Steel's New Foundry

Company will establish a $500,000 branch plant at Louisville, Ky. It will have a capacity of from 6,000 to 10,000 tons a year.

Liggett & Myers to Enlarge Plant

Company proposes to double the capacity of its plant at Huntington, Va.

Madison Tire's Over-Subscription

The 86,000 shares of common stock of the company, which were underwritten by a syndicate headed by S. M. Schatzkin, have been oversubscribed.

The company manufactures cord and fabric pneumatic automobile tires, tubes and other rubber products. It has a daily capacity of 1,200 tires and 2,000 tubes. Earnings for the current year are estimated at double the average of the last five years.

Procter & Gamble Pfd. Offering

The Guaranty Trust Co., the National City Co. and Dominick & Dominick announced the offering of $9,866,100 6% preferred stock of the company at par and dividends. The offering is being made subject to the prior right of shareholders of the company to subscribe for the new issue until September 15. 1919, inclusive.

Upon completion of the above financing, the company will have outstanding the following securities: Common stock, $19,732,111; 6% preferred, $9,866,100; 8% preferred, $2,250,000; serial notes, $22,500,000.

The total volume of business done by the company and its constituent companies for the fiscal year ended June 30, 1919, amounted to $193,392,044.

The net earnings for the year, after all reserves and charges for depreciation, losses, taxes, etc., amounted to $7,325,532.

Union Bag & Paper Earnings Improve

Company for the first quarter of 1919 made a relatively poor showing compared with the corresponding period of 1918, owing to the dullness of the paper market following the ending of the war. But earnings for the second quarter will show marked improvement due to heavy buying of wrapping paper and paper bags which set in during May.

Company receiving the highest prices for its products ever paid in the history of the industry. The mills operating to capacity.

Wilson Stockholders Option on Austin, Nichols & Co. Common

The Guaranty Trust Co., Chase Securities Corporation, Hallgarten & Co. and William Solomon & Co., having purchased from the new Austin, Nichols & Co., Inc., such of its presently issued preferred and common stock (v. t. c.) as was not taken by the stockholders of the old Austin, Nichols & Co., Inc., the two firms last named are offering holders of voting trust certificates for common stock of Wilson & Co., Inc., of record at the close of business September 3, 1919, the right to subscribe for two shares of the common stock of the new company held for each five shares of the common stock (v. t. ctfs.) of Wilson & Co., Inc.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow Jones Avgs. 20 Inds.	Dow Jones Avgs. 20 Rails	N. Y. Times —50 Stocks— High	N. Y. Times —50 Stocks— Low	Total Sales
Monday, Aug. 25	74.91	101.63	81.29	84.16	82.46	691,560
Tuesday, Aug. 26	74.99	103.29	81.16	85.59	83.71	956,500
Wednesday, Aug. 27	74.90	101.91	79.78	84.61	83.15	733,510
Thursday, Aug. 28	75.03	103.01	80.33	85.18	83.59	733,206
Friday, Aug. 29	75.11	104.75	81.21	86.29	84.89	890,345
Saturday, Aug. 30.........		Holiday				
Monday, Sept. 1		Holiday				
Tuesday, Sept. 2.........	75.15	106.26	81.30	87.59	86.00	1,146,090
Wednesday, Sept. 3	75.16	108.55	81.48	89.38	87.01	1,506,534
Thursday, Sept. 4	75.20	108.27	81.35	89.68	87.57	1,586,560
Friday, Sept. 5	75.30	106.96	80.60	88.19	86.12	1,487,998
Saturday, Sept. 6	75.32	106.33	80.36	86.89	86.13	376,150

IMPORTANT DIVIDEND ANNOUNCEMENTS

To Obtain a Dividend Directly from a Company the Stock Must Be Transferred Into the Owner's Name Before the Date of the Closing of the Company's Books

Ann. Rate	Name	Amount Declared		Paid to Holders as of	Payable
....	Ajax Rubber	1.50	Q	*Aug 30	Sept. 15
$3	Amer Bank Note, p.	75c	Q	*Sept. 15	Oct. 1
6%	Amer Beet Sugar, p.	1½%	Q	*Sept. 13	Oct. 2
8%	Amer Beet Sugar, c.	2 %	Q	*Oct. 11	Oct. 31
....	Amer Bosch Magneto	$2	Q	*Sept. 16	Oct. 1
7%	Amer Can, p.	1¾%	Q	*Sept. 16	Oct. 1
8%	Amer Drug Synd.	4 %	S	*July 31	Sept. 15
7%	Am Hide & Leath, p.	1¾%	Q	*Sept. 13	Oct. 1
$4.80	Amer Int'l Corp, p.	1.20	Q	*Sept. 15	Sept. 30
$4.80	Amer Int Corp, c.	$$1.20	Q	*Sept. 15	Sept. 30
7%	Amer Linseed, p.	1¾%	Q	*Sept. 15	Oct. 1
7%	Amer Locomotive, p.	1¾%	Q	*Sept. 13	Sept. 30
6%	Amer Locomotive, c.	1½%	Q	*Sept. 13	Sept. 30
7%	Amer Pub. Serv, p.	1¾%	Q	*Sept. 15	Oct. 1
4%	Amer Smelt & Rf, c.	1 %	Q	*Aug. 29	Sept. 15
7%	Amer Sugar Refin, p.	1¾%	Q	*Sept. 2	Oct. 2
7%	Amer Sugar Refin, c.	1¾%	Q	*Sept. 2	Oct. 2
8%	Amer Tel & Tel.	2 %	Q	*Sept. 20	Oct. 15
5%	At, Gulf, W I S S, p.	1¼%	Q	*Sept. 10	Oct. 1
20%	Atlantic Refining	5 %	Q	*Aug. 23	Sept. 15
8%	Beth Steel, 8% p.	2 %	Q	*Sept. 15	Oct. 1
7%	Beth Steel, 7%, p.	1¾%	Q	*Sept. 15	Oct. 1
5%	Beth Steel, c A.	1¼%	Q	*Sept. 15	Oct. 1
5%	Beth Steel, c B.	1¼%	Q	*Sept. 15	Oct. 1
7%	Booth Fisheries, p.	1¾%	Q	*Sept. 15	Oct. 1
6%	Bordens Con Milk, p.	1½%	Q	*Aug. 30	Sept. 15
$8	Buckeye Pipe Line.	$2	Q	*Aug. 23	Sept. 13
$7	California Pack, p.	$1.75	Q	*Sept. 15	Oct. 1
$4	California Pack, c.	$1	Q	*Aug. 30	Sept. 15
$4	Calumet & Arizona.	$1	Q	*Sept. 5	Sept. 22
....	Calumet & Hecla.	$5		*Aug. 25	Sept. 20
$3	Cambria Steel	75c	Q	*Aug. 30	Sept. 15
4%	Can S S Lines, c.	1 %	Q	*Sept. 1	Sept. 15
7%	Can Gen Elec, p.	3½%	S	*Sept. 13	Oct. 1
8%	Can Gen Elec, c.	2 %	Q	*Sept. 13	Oct. 1
4%	Canadian Pacific, p.	2 %	S	*Sept. 2	Oct. 1
10%	Canadian Pacific, c.	2½%	Q	*Sept. 2	Oct. 1
7%	Case Thr Mach, p.	1¾%	Q	*Sept. 15	Oct. 1
7%	Central Leather, p.	1¾%	Q	*Sept. 10	Oct. 1
6%	Cities Service, p.	½%	M	*Oct. 15	Nov. 1
6%	Cities Service, c.	½%	M	*Oct. 15	Nov. 1
7%	Consolidated Gas.	1¾%	Q	*Aug. 12	Sept. 15
$12	Continental Oil.	$3	Q	*Aug. 26	Sept. 16
$2	Copper Range.	50c	Q	*Aug. 20	Sept. 15
$3	Crescent Pipe Line.	75c	Q	*Aug. 23	Sept. 15
7%	Crucible Steel, p.	1¾%	Q	*Sept. 16	Sept. 30
7%	Cuban Am Sug, p.	1¾%	Q	*Sept. 15	Sept. 30
10%	Cuban Am Sug, c.	2½%	Q	*Sept. 15	Sept. 30
9%	Del & Hudson.	ss2¼%	Q	*Aug. 28	Sept. 20
8%	Diamond Match.	2 %	Q	*Aug. 30	Sept. 15
7%	Dom Iron & Stl, p.	1¾%	Q	*Sept. 13	Oct. 1
7%	Dominion Steel, p.	1¾%	Q	*Sept. 13	Oct. 1
	—Incr from 1½% Q.				
6%	Dominion Steel, c.	1½%	Q	*Sept. 5	Oct. 1
18%	duP deN & Co, c.	4½%	Q	*Aug. 30	Sept. 15
10%	Eastern Steel, c.	xx2½%	Q	*Oct. 1	Oct. 15
6%	Eastman Kodak, p.	1½%	Q	*Aug. 30	Oct. 1
10%	Eastman Kodak, c.	2½%	Q	*Aug. 30	Oct. 1
2%	Federal M Smt, p.	½%	Q	*Aug. 25	Sept. 15
6%	General Chemical, p.	1½%	Q	*Sept. 17	Oct. 1
8%	General Electric.	2 %	Q	*Sept. 15	Oct. 15
7%	Goodrich (B F), p.	1¾%	Q	*Sept. 19	Oct. 1
7%	Great Northern R, p.	1¾%	Q	*Sept. 17	Nov. 1
7%	Gulf St. Stl, 1st p.	1¾%	Q	*Sept. 15	Oct. 1
6%	Gulf St. Stl, 2d p.	1½%	Q	*Sept. 15	Oct. 1
$4	Haskell Barker Car.	$1	Q	*Sept. 15	Oct. 1
8%	Hercules Powder, c.	2 %	Q	*Sept. 15	Sept. 25
7%	Indian Refining, p.	1¾%	Q	*Sept. 5	Sept. 15
12%	Indian Refining, c.	3 %	Q	*Sept. 5	Sept. 15
6%	International Salt.	1½%	Q	*Sept. 15	Oct. 1
$2	Isle Royale Copper.	50c	Q	*Aug. 30	Sept. 30
6%	Kelly-Spring Tire, p.	1½%	Q	*Sept. 15	Oct. 1
$1	Kennecott Copper.	25c	Q	*Sept 5	Sept. 30
12%	Keys'e Tire & Rub, c.	3 %	Q	*Sept. 19	Oct. 1
6%	Lackawanna Steel, c.	1½%	Q	*Sept. 10	Sept. 30
7%	Lig & Myers Tob, p.	1¾%	Q	*Sept. 15	Oct. 1
4%	Mackay Cos, p.	1 %	Q	*Sept. 6	Oct. 1
6%	Mackay Cos, c.	1½%	Q	*Sept. 6	Oct. 1
7%	May Dept Stores, p.	1¾%	Q	*Sept. 15	Oct. 1
12c	McKinley-Dar-Sav.	3c	Q	*Sept. 6	Oct. 1
10%	Mergenthaler Lino.	2½%	Q	*Sept. 3	Sept. 30
7%	Montana Power, p.	1¾%	Q	*Sept. 13	Oct. 1
3%	Montana Power, c.	¾%	Q	*Sept. 13	Oct. 1
	—Red from 1¼%Q.				
7%	National Bis, c.	1¾%	Q	*Sept. 30	Oct. 15
6%	Nat En & Stp, c.	1½%	Q	*Nov. 10	Nov. 29
7%	National Lead, p.	1¾%	Q	*Aug. 22	Sept. 15
5%	National Lead, c.	1¼%	Q	*Sept. 12	Sept. 30
8%	Niles-Bement-Pond, c	2 %	Q	*Sept. 2	Sept. 20
7%	Norfolk & West, c.	1¾%	Q	*Aug. 30	Sept. 19
5%	North Amer. Co.	1¼%	Q	*Sept. 15	Oct. 1
$5	Ohio Oil	$1.25	Q	*Aug. 30	Sept. 30
$4	Osceola Con. Min.	$1	Q	*Aug. 30	Sept. 30
7%	Pabst Brewing, p.	1¾%	Q	*Sept. 6	Sept. 15
7%	Packard Mo Car, p.	1¾%	Q	*Aug. 30	Sept. 15
7%	Phila Electric.	1¾%	Q	*Aug. 20	Sept. 15
$2	Pittsburgh Brew, c.	50c	Q	*Aug. 30	Sept. 15
6%	Quaker Oats, p.	1½%	Q	*Nov. 1	Nov. 29
12%	Quaker Oats, c.	3 %	Q	*Oct. 1	Oct. 15
7%	Rail Stl Spring, p.	1¾%	Q	*Sept. 6	Sept. 20
8%	Rail Stl Spring, c.	2 %	Q	*Sept. 16	Sept. 30
$1	Reo Motor	25c	Q	*Sept. 15	Oct. 1
7%	Rep Ir & Steel, c.	1¾%	Q	*Sept. 15	Oct. 1
6%	Rep Ir. & Steel, c.	1½%	Q	*Oca. 15	Nov. 1
6%	Savage Arms, c.	1½%	Q	*Aug. 31	Sept. 15
$1	Shattuck- Arizona.	25c	Q	*Sept. 30	Oct. 20
6%	Southern Pacific.	1½%	Q	*Aug. 30	Oct. 1
8%	S Porto Rico Sug, p.	2 %	Q	*Sept. 15	Oct. 1
20%	S Porto Rico Sug, c.	5 %	Q	*Sept. 15	Oct. 1
8%	Stand Gas & El, p.	2 %	Q	*Aug. 30	Sept. 15
10%	Stand Oil of Cal.	2½%	Q	*Aug. 15	Sept. 15
12%	Stand Oid of Ind.	3 %	Q	*Aug. 18	Sept. 15
12%	Stand Oil of Kan.	3 %	Q	*Aug. 30	Sept. 15
$12	Stand Oil of Ken.	$3	Q	Sept. 15	Oct. 1
20%	Stand Oil of N J.	5 %	Q	*Aug. 19	Sept. 15
16%	Stand Oil of N Y.	4 %	Q	*Aug. 22	Sept. 15
$12	Stand Oil of Ohio.	$$3	Q	Aug. 29	Oct. 1
$4	Stromberg Carbu.	$1	Q	*Sept. 17	Oct. 1
$5	Stutz Mo Car of A.	$1.25	Q	*Sept. 17	Oct. 1
8%	Swift & Co.	2 %	Q	Sept. 10	Oct. 1
10%	Texas Co.	2½%	Q	*Sept. 12	Sept. 30
7%	Underwood Type, p.	1¾%	Q	*Sept. 5	Oct. 1
4%	Underwood Type, c.	2 %	Q	*Sept. 5	Oct. 1
6%	Union Bag & Paper.	1½%	Q	*Sept. 5	Sept. 15
4%	Union Pacific, p.	2 %	S	*Sept. 2	Oct. 1
10%	Union Pacific, c.	2½%	Q	*Sept. 2	Oct. 1
7%	United Cg S of A, p	1¾%	Q	*Aug. 29	Sept. 15
7%	United Drug, 1st p.	1¾%	Q	*Oct. 15	Nov. 1
6%	United Drug, 2d p.	1½%	Q	*Nov. 15	Dec. 1
7%	United Drug, c.	1¾%	Q	*Sept. 15	Oct. 1
5%	U S Ct Ir P & F, p.	1¼%	Q	*Dec. 1	Dec. 13
$16	U S. Ind Alcohol, c.	4	Q	*Sept. 2	Sept. 15
5%	U S. Steel, c.	1¼%	Q	Aug. 29	Sept. 29
6%	Western Electric, p.	1½%	Q	*Sept. 23	Sept. 30
$10	Western Elec, c.	$2.50	Q	*Sept. 23	Sept. 30
$4	White Motor	$1	Q	*Sept. 15	Sept. 30
$2	Wolverine Cop Min.	50c	Q	*Sept. 13	Oct. 1
7%	Woolworth (FW), p.	1¾%	Q	*Sept. 10	Oct. 1

*Stock of record on this date; books no not close. *a*Initial dividend. *b*On account of accumulation, payable , 6% in cash, 6% in 4½% Liberty Bonds, and 20% in 1st preferred, 7% cumulative stock. *m*On account of accumulated dividends. *ss*Subject to the approval of the Director General of Railroads. N. Y. Stock Exchange ruled stock does not sell ex-div. on stock of record date. *xx*Payable in Liberty Loan Bonds.